

# Welcome to your CDP Water Security Questionnaire 2023

## W0. Introduction

### W0.1

#### **(W0.1) Give a general description of and introduction to your organization.**

Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested more than USD 10.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In November 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free champion led by the companies' IQOS and ZYN brands. The U.S. Food and Drug Administration (FDA) has authorized versions of PMI's IQOS Platform 1 devices and consumables and Swedish Match's General snus as Modified Risk Tobacco Products (MRTPs). As of December 31, 2022, PMI's smoke-free products were available for sale in 73 markets, and PMI estimates that approximately 17.8 million adults around the world had already switched to IQOS and stopped smoking. Smokefree products accounted for approximately 32% of PMI's total full-year 2022 net revenues. With a strong foundation and significant expertise in life sciences, PMI announced in February 2021 its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin Pharma subsidiary, aims to enhance life through the delivery of seamless health experiences. Our approach to sustainability focuses on developing strategies that can successfully address the environmental, social, and governance topics identified as a priority by our sustainability materiality assessment. From an environmental standpoint, we focus on reducing post-consumer waste from our products, tackling climate change, and preserving nature. Engagement beyond our own operations—in particular in our supply chain—is key, as this is where a significant portion of our sustainability impacts occurs. We are working with business partners to proactively identify, manage, and reduce risks, and create shared value. Our business has a significant, global supply chain organized in two main streams: direct spend focused on materials used in the manufacture of our finished products (e.g., tobacco leaf, packaging materials, electronic devices and accessories) and indirect spend focused on goods and services necessary to operate our business.

The description above is a summary and is qualified in its entirety by reference to the full text of PMI's Annual Report on Form 10-K for the year ended December 31, 2022, 2023 Proxy Statement dated March 23, 2023 filed with the U.S. Securities and Exchange Commission on the same date, and the full text of PMI's Integrated Report 2022. Certain terms, definitions and explanatory notes, as well as reconciliations of the applicable non-GAAP financial measures, are set forth in the materials referenced above.

In this submission:

- “PMI,” “we,” “us,” and “our” refer to Philip Morris International Inc. and its subsidiaries;
- Trademarks and service marks in this submission are the registered property of, or licensed by, the subsidiaries of PMI and are italicized;
- Aspirational targets and goals set forth in this submission do not constitute financial projections, and achievement of future results is subject to risks, uncertainties, and inaccurate assumptions, as outlined in our forward-looking and cautionary statements on page 210 of PMI Integrated Report 2022;
- Materiality: In this submission and in related communications, the terms “materiality,” “material” and similar terms, when used in the context of economic, environmental, and social topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the US Securities and Exchange Commission.
- Unless otherwise indicated, the data contained herein cover our operations worldwide for the full calendar year 2022 or reflect the status as of December 31, 2022. Where not specified, data comes from PMI financials, nonfinancials, or estimates. Unless explicitly stated, the data, information, and aspirations in this report do not incorporate PMI's Vectura Fertin Pharma business (consolidating the 2021 acquisitions of wellness and healthcare companies Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.), nor the late 2022 acquisition of Swedish Match AB. As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our ESG reporting in future reporting periods.

## W-FB0.1a/W-AC0.1a

**(W-FB0.1a/W-AC0.1a) Which activities in the food, beverage, and tobacco and/or agricultural commodities sectors does your organization engage in?**

Processing/Manufacturing  
Distribution

## W0.2

**(W0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date
Reporting year	January 1, 2022	December 31, 2022

## W0.3

**(W0.3) Select the countries/areas in which you operate.**

Argentina  
Brazil

Canada  
China  
Colombia  
Czechia  
Ecuador  
Germany  
Greece  
India  
Indonesia  
Italy  
Jordan  
Kazakhstan  
Lebanon  
Lithuania  
Malawi  
Malaysia  
Mexico  
Mozambique  
Netherlands  
North Macedonia  
Pakistan  
Philippines  
Poland  
Portugal  
Republic of Korea  
Romania  
Russian Federation  
Senegal  
Serbia  
South Africa  
Spain  
Switzerland  
Thailand  
Turkey  
Ukraine  
United States of America  
Venezuela (Bolivarian Republic of)

## W0.4

**(W0.4) Select the currency used for all financial information disclosed throughout your response.**

USD

## W0.5

**(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.**

Companies, entities or groups over which operational control is exercised

## W0.6

**(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?**

Yes

## W0.6a

**(W0.6a) Please report the exclusions.**

Exclusion	Please explain
Offices and some minor facilities.	We have excluded offices and finished goods warehouses for which our water footprint is marginal and limited to water access, sanitation, and hygiene services (WASH) for the employees. These exclusions are made to ease reporting burdens for PMI and are in line with CDP's A-list criteria for exclusions related to WASH services. We estimate these sites together represent less than 2% of our overall blue water usage based on a water footprint screening performed in collaboration with an external consultant.
Business activities	<p>The data and information in this submission do not incorporate PMI's Vectura Fertin Pharma business. We estimate that their combined water withdrawals represents 3% of PMI's total withdrawals as of 2022, based on Vectura Fertin Pharma's primary data on water withdrawals, and is therefore not significant based on the PMI's materiality threshold (5%). For this reason, Vectura Fertin Pharma is currently not included in our disclosure.</p> <p>As part of this exclusion process, we have also assessed water risks from Vectura Fertin Pharma through the use of Aqueduct Water Risk Atlas, and Aqueduct Country rankings. The operations of Vectura Fertin Pharma are largely located in England and Denmark; these countries consistently score low to medium risks across Aqueduct's tools, both in terms of physical quantity risks such as water stress, and physical quality risks such as untreated connected wastewater.</p> <p>As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our ESG reporting in future reporting periods.</p>
Recent acquisitions	The data and information in this submission does not incorporate the acquisition made by PMI during 2022 of Swedish Match, which represented 9% of PMI's total water withdrawals in 2022. PMI anticipates this data to be fully included in our sustainability reporting by 2024.

## W0.7

**(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?**

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, an ISIN code	7181721090

## W1. Current state

### W1.1

**(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.**

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	<p>According to internal studies, our agricultural supply chain, our other direct materials supply chain and our manufacturing represent respectively 53%, 41% and 6% of our blue water footprint (offices and finished goods warehouses excluded). As PMI relies on the availability of sufficient good quality freshwater for both the production of its raw materials and the manufacturing of its products, we have chosen to consider it as “important” in both direct and indirect operations.</p> <p>Indirect: Water is used in PMI’s supply chain to grow raw materials. PMI’s most critical suppliers in terms of water risks are tobacco growers, as well as paper- and cellulose acetate-based material suppliers. More than half of our purchased tobacco crops are rainfed, the rest require irrigation. Every year we collect tobacco irrigation data. In 2022 we used approximately 22% less m3 of water per ton of tobacco sourced than in 2021. Volume allocation changes to different geographies in the sourcing strategy and climatic trends played a role in our improved performance. We continue to monitor water withdrawal figures to better inform our tobacco sourcing strategy in an effort to mitigate risk and optimize water resource</p>

			<p>use.</p> <p>Direct: At our manufacturing sites, high quality freshwater is used as process water, as well as utility water and to provide WASH services to our employees. On average, 47% of water we withdraw is consumed during the manufacturing processes, 53% is discharged and less than 1% goes into our finished products. PMI expects its direct dependency on water to increase in the short to medium term (up to 5 years), as we are transitioning toward smoke-free products which are more water-intensive in their manufacturing processes. To reduce water dependency in the long term, PMI is implementing efficiency initiatives and installing technologies at its factories for recycling and reuse such as reverse osmosis and electrode ionization.</p>
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	<p>Direct: The process to manufacture our smoke-free products initially was five times more water-intensive per unit of product than conventional cigarettes and we are improving this ratio overtime thanks to water efficiency initiatives. Our efforts are geared towards improving water efficiency throughout the process by implementing technologies to recycle and reuse water, and using rainwater harvesting for landscape watering. For this reason, we have chosen to consider as "important" in our direct operations. At our manufacturing sites, water is recycled in our wastewater treatment plants and used for several purposes including watering gardens, equipment cleaning and for some production processes where technically possible such as cooling of towers and boilers. PMI expects its dependency on recycled water to have a slight increase in the future. This is related to the expected water needs that PMI will face as it continues its transitioning to smoke-free products, which are more water intensive than combustible products. Produced water is not relevant.</p> <p>Indirect: We encourage the adoption of robust water stewardship practices by our tobacco and other direct material suppliers like paper or cellulose acetate. Such practices include the treatment and use of recycled or brackish water as</p>

			<p>part of their processes, which might include secondary uses of water such as for cleaning and maintenance of equipment, operation of equipment, and others depending on the local context. Reducing freshwater withdrawn by using recycled water improves our direct and supply chain resilience to water scarcity and increases water availability for surrounding communities: therefore, we have given them a rating of “important”. Water recycling is gaining importance among our suppliers and we expect this trend to continue increasing in the future. This is linked to increasing water risks faced by suppliers, who have to mitigate them through increased efficiency in the use of water resources.</p>
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## W-FB1.1a/W-AC1.1a

**(W-FB1.1a/W-AC1.1a) Which water-intensive agricultural commodities that your organization produces and/or sources are the most significant to your business by revenue? Select up to five.**

Agricultural commodities	% of revenue dependent on these agricultural commodities	Produced and/or sourced	Please explain
Tobacco	More than 80%	Sourced	<p>100% of PMI's heated tobacco units, cigarettes and other nicotine-containing products require tobacco. We purchase tobacco leaf of various types, grades and styles throughout the world. In 2022 our purchases came from 223,299 farmers directly contracted either by us or by our third-party leaf suppliers in 20 countries. We contracted farmers directly in several countries, including Argentina, Brazil, Italy, Pakistan, and Poland. Some of our main tobacco sourcing countries are Argentina, Brazil, China, and Indonesia.</p> <p>In 2022, PMI continued to assess water risks associated with its value chain, as well as to gather water intensity data from the production of its key commodities such as tobacco.</p>

## W1.2

**(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?**

	% of sites/facilities/operations	Frequency of measurement	Method of measurement	Please explain
Water withdrawals – total volumes	100%	Continuously	Flow meters are used as methodology to measure continuously volumes of water withdrawals by source and origin in all our sites. Monthly water aggregated data from all sites is entered into our EHS&S Performance Monitoring System, checked quarterly and audited annually by SGS during onsite verification. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water withdrawals.	100% of our operational (i.e., factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites. We have also become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate. By end of 2022, we had certified 18 factories under the AWS Standard. As of May 2023, 2 additional factories completed the certification process. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high water risk areas that are above 2.5% PMI

				Manufacturing water footprint).
Water withdrawals – volumes by source	100%	Continuously	Flow meters are used as methodology to measure continuously volumes of water withdrawals by source and origin in all our sites. Monthly water aggregated data from all sites is entered into our EHS&S Performance Monitoring System, checked quarterly and audited annually by SGS during onsite verification. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water withdrawals.	<p>We monitor 100% of our factories for this water aspect and this is part of usual facility management for our sites. Our water stressed factories have been identified through our recent water risk assessment based on the WRI Aqueduct tool.</p> <p>We have also become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate. By end of 2022, we had certified 18 factories under the AWS Standard. As of May 2023, 2 additional factories completed the certification process. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high</p>

				water risk areas that are above 2.5% PMI Manufacturing water footprint).
Water withdrawals quality	100%	Monthly	Water quality is monitored via the municipal provider's analyses on a monthly or annual basis, with the exception of the SFP factories where we perform additional analyses due to product quality reasons. In all the cases we withdraw water from wells, fresh water sources or in case we store water in water tanks, we monitor up to 3 times a month, collecting up to 30 parameters including hardness, conductivity, metals, suspended solids, coliforms, pH, salinity, temperature, and chlorine.	The specific frequency of monitoring water withdrawals will depend on the country where we operate. For SFP factories, most of the analyses of these parameters take place in external accredited laboratories; however, we also measure some parameters like pH inhouse.
Water discharges – total volumes	100%	Continuously	PMI uses flow meters to measure continuously discharges volumes in almost half of its sites,	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of usual

			and measures the rest based on withdrawal and consumption figures. Monthly water aggregated data from all sites is entered into our EHS&S Performance Monitoring System, checked quarterly and verified by a third party annually. 100% of our factories ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water discharges.	facility management for our sites. We have also become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate. By end of 2022, we had certified 18 factories under the AWS Standard. As of May 2023, 2 additional factories completed the certification process. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high water risk areas that are above 2.5% PMI Manufacturing water footprint).
Water discharges – volumes by destination	100%	Monthly	PMI uses flow meters to continuously measure discharges and identify volumes by destination in almost half of its sites; when a dedicated monitoring is not technically	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites.  100% of our

			feasible, PMI measures discharges based on cost and/or invoices of wastewater services. Sites are required to measure discharges with the frequency prescribed by the legislation or on a monthly basis. This data is entered into our EHS&S Performance Monitoring System, checked quarterly and verified by a third party annually.	<p>factories are ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water discharges.</p> <p>We have also become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate. By end of 2022, we had certified 18 factories under the AWS Standard. As of May 2023, 2 additional factories completed the certification process. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high water risk areas that are above 2.5% PMI Manufacturing water footprint).</p>
Water discharges –	100%	Monthly	PMI uses flow meters to	100% of our operational (i.e.

volumes by treatment method			continuously measure discharges and identify volumes by destination in almost half of its sites; when a dedicated monitoring is not technically feasible, PMI measures discharges based on cost and/or invoices of wastewater services. Sites are required to measure discharges with the frequency prescribed by the legislation or on a monthly basis. This data is entered into our EHS&S Performance Monitoring System, checked quarterly and verified by a third party annually.	factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water discharges. We have also become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate. By end of 2022, we had certified 18 factories under the AWS Standard. As of May 2023, 2 additional factories completed the certification process. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high
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				water risk areas that are above 2.5% PMI Manufacturing water footprint).
Water discharge quality – by standard effluent parameters	100%	Monthly	We do sampling following recognized sampling protocols and laboratory analysis in internal, but mostly in external accredited labs. BOD, COD, pH, TSS, phosphorus, nitrogen, coliforms, phenols are only some of the parameters typically controlled, depending always on the final wastewater receptor. The frequency of analyses varies: pH and TSS are often measured continuously with online instruments, while other parameters like COD are measured on average on a monthly basis.	We perform chemical analyses on the wastewater in our factories and this activity is considered part of routinely facility management. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current and future statutory and regulatory requirements. As part of our water strategy, we will progressively increase the number of parameters controlled and on-line measurements at all our sites.
Water discharge quality – emissions to water (nitrates, phosphates, pesticides, and/or other	26-50	Yearly	We currently monitor water discharge quality in 12 manufacturing sites. The scope of the monitoring	Our manufacturing sites currently estimate average concentration of substances using water discharge

priority substances)			includes emissions of nitrates, phosphates, pesticides and other substances. We currently monitor this water parameter once or twice a year depending on the site, through laboratory analysis of concentration of pollutants in our water discharges.	data collected through flow meters, as well as laboratory analysis on water discharge quality performed once or twice a year, depending on the site.
Water discharge quality – temperature	100%	Monthly	In 59% of our sites wastewater is treated onsite or discharged in natural receptors like surface or underground water/ soil. When required by local regulatory frameworks, we measure temperature across various treatment stages and in the final treated wastewater tanks with online or offline thermometers, usually monthly. In the remaining sites, we calculate the effluent temperature based on the process water temperature,	As part of our ISO14001 system, we ensure that the wastewater temperature is adequate to the receptor requirements, and to achieve and monitor this in all our sites we follow the most adequate methods. Our process water temperature is the same across our factories and has not changed over the years, and our effluent wastewater temperatures are similar to the civil wastewater.

			volume, and average annual temperature data collected through online meters.	
Water consumption – total volume	100%	Monthly	<p>Water consumption is calculated based on withdrawal and discharges data. Monthly water aggregated data from all sites is entered into our EHS&amp;S Performance Monitoring System, checked quarterly and verified by a third party annually. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current e statutory and regulatory requirements associated with water consumption.</p>	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites.
Water recycled/reused	100%	Monthly	<p>We use flow meters to continuously measure the volumes, at the end of the treatment process in our facilities, prior to being reused. Monthly water-aggregated data from all sites</p>	<p>100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites. Optimizing our osmosis water</p>

			is entered into our EHS&S Performance Monitoring System, checked quarterly and verified by a third party annually. 100% of our factories are ISO14001 certified, helping our sites to demonstrate compliance with current statutory and regulatory requirements associated with water recycle/reuse.	treatment plants and reusing rejected water are examples of initiatives implemented to reuse water in our factories.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Yearly	We use global reporting requirements for water data with a central data collection system for all sites. WASH services are required in all PMI and are integrated into our occupational health and safety management system, according to ISO 45001 standard. This is monitored and controlled through internal, corporate and third-party audits. Each site uses the potable water measurement	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of usual facility management for our sites, with measurement being carried out and validated through ISO14001 and ISO 45001 standard in 100% of the sites. Each site is being audited against WASH requirements at least annually.

			method indicated by the local legislation, and as a minimum to meet the Drinking Water Directive 98/83/EC.	
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## W1.2b

**(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?**

	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Please explain
Total withdrawals	3,089	About the same	Increase/decrease in efficiency	About the same	Other, please specify Changes in product portfolio	For CDP disclosure purposes, PMI defines terms for comparison with previous year as following:  About the same: a change that is lesser than $\pm 5\%$ Higher / lower: a change that is greater than $\pm 5\%$ but not greater than $\pm 10\%$ Much higher / much lower: a change that is greater than $\pm 10\%$

						<p>These terms are defined by PMI, and applied consistently across our CDP Water disclosure, as per CDP guidance. In 2022, total withdrawals decreased by 1% vs. 2021. The decrease was due to the water saving and water recycling initiatives. In 2022, PMI implemented several initiatives in the frame of its "Drive for Zero" program, which aims to reduce process losses, including water use and increase water recovery; these measures helped us achieve a decrease on our average water</p>
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						<p>withdrawals from 3.12 m<sup>3</sup> in 2021 to 3.09m<sup>3</sup> of water for every million units of product equivalent produced.</p> <p>We expect our total water withdrawals to be about the same in the next 5 years, despite the incremental production of smoke free products (SFP) which require approximately 4 to 5 times more water per unit of product than for conventional cigarettes. This forecast is expected as part of our increased water efficiency measures. While the public health benefits of smoke-free products</p>
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						justify the trade-off of increased water intensity, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million cigarettes equivalent (down from 4.7 in 2018). We continuously work to improve our processes, focusing on applying a zero loss mindset and investing in a variety of projects that aim to optimize our consumption
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						and raise awareness among our employees.
Total discharges	1,542	Lower	Increase/decrease in efficiency	About the same	Other, please specify Changes in product portfolio	<p>For CDP disclosure purposes, PMI defines terms for comparison with previous year as following:</p> <p>About the same: a change that is lesser than <math>\pm 5\%</math>            Higher / lower: a change that is greater than <math>\pm 5\%</math> but not greater than <math>\pm 10\%</math>            Much higher / much lower: a change that is greater than <math>\pm 10\%</math></p> <p>These terms are defined by PMI, and applied consistently across our CDP Water disclosure, as per CDP guidance. In 2022, our total discharges decreased by</p>

					<p>6% from 1,639 megalitres in 2021. Most of the decrease was due to the reusing and recycling technologies applied to our new smoke free product factory production processes; these measures helped us achieve a decrease on our average water discharges from 2.51 m<sup>3</sup> in 2019 to 1.89 m<sup>3</sup> of water for every million units of product equivalent produced in 2022.</p> <p>PMI anticipates total water discharges to be about the same in the next 5 years. This forecast is related to the incremental production of</p>
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						<p>our smoke free products (SFP) which require approximately 4 to 5 times more water per unit of product than for conventional cigarettes, together with our increased water efficiency. While the public health benefits of smoke-free products justify the trade-off of increased water intensity, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic</p>
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						<p>meters per million cigarettes equivalent (down from 4.7 in 2018). We expect that further improvements in water efficiency in our operations will continue to reduce our overall water discharges, as observed during the period of 2020-2022 (12% reduction). We continuously work to improve our processes, focusing on applying a zero loss mindset and investing in a variety of projects that aim to optimize our consumption and raise awareness among our employees.</p>
Total consumption	1,547	About the same	Increase/decrease in efficiency	About the same	Other, please specify	For CDP disclosure purposes, PMI defines

					<p>Change s in product portfolio</p> <p>terms for comparison with previous year as following:</p> <p>About the same: a change that is lesser than ±5%</p> <p>Higher / lower: a change that is greater than ±5% but not greater than ±10%</p> <p>Much higher / much lower: a change that is greater than ±10%</p> <p>These terms are defined by PMI, and applied consistently across our CDP Water disclosure, as per CDP guidance. In 2022 our total consumption increased by 4% from 1,481 megalitres in 2021. This increment was led by the increased production of</p>
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					<p>our smoke free products which require approximately 4 to 5 times more water per unit of product than for conventional cigarettes. Between 2018 and 2022, we reduced water consumption at our manufacturing sites by 21 percent in absolute terms, mainly through water efficiency initiatives that offset the unfavorable impact of the significant increase in the production volumes of heated tobacco units.</p> <p>PMI anticipates total water consumption to be about the same in the next 5</p>
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						<p>years. This forecast is related to the expected incremental production of smoke free products, together with our increased water efficiency. While the public health benefits of smoke-free products justify the trade-off of increased water intensity, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million cigarettes equivalent</p>
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						(down from 4.7 in 2018). We continuously work to improve our processes, focusing on applying a zero loss mindset and investing in a variety of projects that aim to optimize our consumption and raise awareness among our employees.
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## W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress, provide the proportion, how it compares with the previous reporting year, and how it is forecasted to change.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Identification tool	Please explain
Row 1	Yes	51-75	About the same	Increase/decrease in efficiency	About the same	Increase/decrease in efficiency	WRI Aqueduct	For CDP disclosure purposes, PMI defines terms for comparison with previous year as following:

								<p>About the same: a change that is lesser than <math>\pm 5\%</math></p> <p>Higher / lower: a change that is greater than <math>\pm 5\%</math> but not greater than <math>\pm 10\%</math></p> <p>Much higher / much lower: a change that is greater than <math>\pm 10\%</math></p> <p>These terms are defined by PMI, and applied consistently across our CDP Water disclosure, as per CDP guidance.</p> <p>As part of our 2022 water risk assessment, we</p>
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								updated the methodology to define water stressed areas as 'those with an overall water risk equal or higher than medium-high in WRI Aqueduct'. Our previous approach used a weighted score that combined Aqueduct results ( $\geq 40\%$ baseline water stress), and results from an internal materiality assessment including other water factors such as proportional water withdrawals, and
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								<p>production volumes by manufacturing facility. This adjustment resulted in the inclusion of 10 additional locations to PMI's list of manufacturing facilities located in areas with water stress.</p> <p>Our 2022 assessment showed that approximately 64% of water withdrawal in our factories originated from water-stressed areas (1,975 megalitres), which was an increment of 3% compared</p>
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							<p>to 2021 (1,899 megalitres) . These calculations were externally revised and verified by SGS in the scope of PMI's 2022 EHS verification . The verification statements are available in our website.</p> <p>PMI anticipates total water withdrawals to be about the same in the next 5 years. This is despite the incremental production of our smoke free products (SFP) which requires approximately 4 to 5 times more</p>
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								water per unit of product than for conventional cigarettes. While the public health benefits of smoke-free products justify the trade-off of increased water intensity, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million
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								cigarettes equivalent (down from 4.7 in 2018). We continuously work to improve our processes, focusing on investing in a variety of projects that aim to optimize our consumption and raise awareness among our employees.
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## W-FB1.2e/W-AC1.2e

(W-FB1.2e/W-AC1.2e) For each commodity reported in question W-FB1.1a/W-AC1.1a, do you know the proportion that is produced/sourced from areas with water stress?

Agricultural commodities	The proportion of this commodity produced in areas with water stress is known	The proportion of this commodity sourced from areas with water stress is known	Please explain
Tobacco	Not applicable	Yes	PMI does not grow tobacco, only sources it as a raw material to manufacture products. PMI uses the WRI Aqueduct tool to annually evaluate potential water risks and opportunities in those locations where the company sources tobacco from. As part of this global exercise, PMI defines 'water stressed' areas as those with an overall physical water risk score above 3 and keeps track of the volume of tobacco that is grown

			<p>and sourced from these areas.</p> <p>PMI complements this global assessment with a local water risk assessment (LRA), which involves site visits at tobacco farms to validate findings from the global water risk assessment and refine results at a watershed level using local data and insights from suppliers. Results from LRAs allow PMI to further improve our knowledge of local conditions and the extent to which local risks and opportunities are applicable to our farmers. Between 2018 and 2022 PMI has carried out at least 39 LRAs covering 81% of our Tobacco Growing Areas (TGAs).</p> <p>During 2022, PMI carried out 5 LRAs across Brazil, Poland, South Africa, Turkey and the U.S, as well as 3 complementary LRAs for those TGAs that consisted of more than one watershed. Our target is to carry out at least one LRA for 100% of our TGAs by end of 2025, and to update findings every 3 to 5 years depending on the risk profile of the TGA. As of 2022, PMI has completed at least one LRA in 81% of our TGAs and is on track to achieve this target. PMI will continue to undertake LRAs in 2023 to further understand local water risks and opportunities, and to build best practice together with our tobacco suppliers.</p> <p>On top of the LRAs, PMI collects water withdrawal data per TGA and supplier through our Environmental Insights survey; the information collected includes multiple metrics such as type of irrigation, average water usage per cubic meter and hectare, average water usage per ton of tobacco grown across the seedling, transplanting and field stages. PMI uses this information together with the results of the global risk assessment, and LRAs to identify opportunities to improve water efficiency at the farm level.</p>
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## W-FB1.2g/W-AC1.2g

**(W-FB1.2g/W-AC1.2g) What proportion of the sourced agricultural commodities reported in W-FB1.1a/W-AC1.1a originate from areas with water stress?**

Agricultural commodities	% of total agricultural commodity sourced from areas with water stress	Please explain
Tobacco	26-50	<p>The percentage of total tobacco volumes sourced from water stressed areas decreased from 33% in 2021 to 32% in 2022. This figure is annually calculated by using WRI Aqueduct, together with GPS coordinates for each Tobacco Growing Area (TGA) and volumetric data on the amount of tobacco purchased per supplier, per location.</p> <p>PMI uses this information to manage water risks and opportunities across the tobacco supply chain. Findings from this assessment are used to identify water stressed locations where supplier engagement around water issues is needed (e.g. water stress, depletion, variability, groundwater table decline, drought). Together with suppliers, PMI develops specific projects to address local water risks. Examples of these projects include the construction of irrigation ponds in India to mitigate risks related to seasonal variability, as well as the implementation of drip irrigation to reduce water withdrawal and mitigate risks related to competing demand across tobacco farms and other water users in the watershed in Argentina.</p> <p>PMI also uses this information to better understand water related risks and inform its sourcing strategy. PMI is currently exploring how water stress metrics could be incorporated into the company's sourcing principles. Through this exercise, PMI is further aligning fundamentals on water risk mitigation and sustainable water practices implementation to the considerations applicable to its sourcing strategy, including supplier management and volume allocation. With the Biodiversity and Water ambitions launched in 2022, PMI defines a robust framework of action to guide supply chain stakeholders on the protection of natural resources based on the measured risk at specific locations.</p> <p>PMI anticipates that the proportion of tobacco sourced from areas with water stress will remain about the same in the short to medium term (1-5 years) and is going to be progressively reduced in the medium to long term (5-15</p>

		years). This expected trend can be explained by two main factors, namely the expansion of smoke-free products in the company's portfolio (which require less tobacco compared to conventional cigarettes) as well as a reallocation of volumes to suppliers and/or sourcing countries that are better positioned in water stewardship related matters.
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## W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	12.9	Much lower	Increase/decrease in efficiency	Even if fresh surface water is globally around 0.4% of our total withdrawals, we consider it relevant at local level since, whenever possible, we use it to reduce water sourced from municipal water. In 2022, fresh surface water withdrawals decreased by 21 megalitres vs. 2021, due to the implementation of various projects, which have helped us reduce water withdrawals from our operations by

					an estimated 220 thousand cubic meters in 2022.
Brackish surface water/Seawater	Not relevant				<p>We currently neither use brackish surface water nor seawater and we do not anticipate using it in the next 3 to 5 years. We indeed require higher quality water for our operations as we use mainly water for WASH facilities, landscape watering, and the utilities process. Currently, a third of our factories are reusing treated wastewater, for example, in Greece where treated domestic wastewater is used for irrigation of green areas of the factory.</p> <p>We plan to increase these initiatives in the mid-term (1 to 5 years) as we</p>

					continue to innovate and increase quality of treated wastewater so it can be reused and allow PMI to continue operating without the use of brackish surface water/ seawater.
Groundwater – renewable	Relevant	939.1	Lower	Increase/decrease in efficiency	Renewable groundwater is relevant to PMI's operations as it represents the second largest source of water for the company's direct operations. Inlet water is currently supplied from two main sources: urban network (69.2%) of municipalities or private suppliers; and groundwater renewable sources (30.4%) from wells and aquifers, which are metered and verified annually by

					<p>external auditors.</p> <p>In 2022 939 megalitres were withdrawn from groundwater sources compared to the 998 in 2021. The decrease was due to the implementation of various projects, which have helped us reduce water withdrawals from our operations by an estimated 220 thousand cubic meters in 2022.</p>
Groundwater – non-renewable	Not relevant				<p>We do not currently use non-renewable groundwater and we do not anticipate using it over the next 3 to 5 years. PMI meets its groundwater demands through withdrawals of renewable groundwater and other renewable sources, which are annually</p>

					<p>verified by external auditors.</p> <p>PMI plans to continue operating without the use of non-renewable groundwater in foreseeable future by increasing initiatives to improve water efficiency, as well as to continue treating and recycling wastewater.</p>
Produced/Entrained water	Not relevant				<p>Produced or entrained water is not applicable to PMI, and we do not expect it to become relevant over the next 3 to 5 years. This is because PMI's sourcing of raw materials is limited to dry products, so no water enters the organization's boundary as a result of the extraction, processing, or use of any raw material, in line</p>

					with CDP's guidelines.
Third party sources	Relevant	2,136.57	About the same	Increase/decrease in efficiency	3rd party sources represent PMI's main source of water. As the company depends on significant amounts of high quality freshwater, this source of water is considered relevant. Water required for production in our factories is currently sourced from urban network (69.2%) of municipalities or private suppliers; groundwater wells (30.4%) which are metered and verified annually by external auditors; and remaining 1% is sourced from fresh surface water sources. In 2022, 2,137 megaliters were sourced from third party sources, 2% more than 2021.

## W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water	Relevant	276.93	Much lower	Increase/decrease in efficiency	Discharges to fresh surface water are relevant because they are a significant amount of PMI's total water discharges, and we have to comply with regulation, including water discharges related ones, in all countries where we operate. We discharge around 18% of treated wastewater into surface water disposal. Wastewater is treated both in public and in on-site water treatment plants following applicable national standards and requirements before being discharged into surface water.

					In 2022 PMI continued to implement new technologies to recycle and reuse water across our operations, which resulted in a 12% reduction in discharges to fresh surface water versus 2021 (315.58 megaliters).
Brackish surface water/seawater	Not relevant				<p>PMI annually conducts onsite audits through a third-party auditor to validate its water data, including discharges by destination. Our operations are not located near brackish surface water or seawater locations. For this reason, we currently neither discharge to brackish surface water nor to seawater, making this a non applicable discharge destination.</p> <p>PMI currently meets its water discharge needs through fresh surface water,</p>

					groundwater , and third-party destinations . We do not anticipate this water discharge destination to become applicable in the next 3 to 5 years.
Groundwater	Relevant	187.14	Much higher	Increase/decrease in efficiency	PMI's overall wastewater discharge to ground water destination is 12%. Wastewater is equally treated between public and onsite wastewater treatment plants. In 2022, groundwater discharges increased by 19% from 157 megalitres in 2021.
Third-party destinations	Relevant	1,077.94	Lower	Increase/decrease in efficiency	PMI's overall wastewater discharge to third-party destinations is 70%, which represents the largest discharge destination for the company. In 2022, third-party discharges decreased by 8% from 1,166 megalitres in 2021 due mainly to the

					incorporation of process improvements, reusing or recycling water to limit water discharges.
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## W1.2j

**(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.**

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	Primary reason for comparison with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Relevant	638.88	About the same	Increase/decrease in efficiency	31-40	PMI treats discharges up to a tertiary treatment level with two main purposes: to reuse wastewater and optimize water usage as part of our manufacturing operations (where high quality water is needed), and to comply with local requirements

						<p>ts from environmental authorities by removing any remaining hazardous constituents that could be found in relevant discharges after a secondary treatment (such as in Greece). PMI treats water up to a tertiary level to remove any potential residues of phosphorus and nitrogen, and to remove potential viruses and bacteria.</p> <p>PMI complies with all the applicable regulatory standards required by the national water</p>
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						authority as relevant to each factory. In line with these requirements, more than one third of our factories are treating wastewater discharges with advanced tertiary methods, as of 2022.
Secondary treatment	Relevant	219.31	About the same	Increase/decrease in efficiency	11-20	PMI complies with all the applicable regulatory standards required by the national water authority. In line with these requirements, PMI treats water at a secondary level to meet relevant chemical oxygen demand levels (COD), and to remove

						particle and colloidal COD, biodegradable organic matter, phosphates, and ammonia nitrogen. The facilities that process wastewater up to secondary treatment, are connected to the public sewage network.
Primary treatment only	Relevant	139.61	Lower	Increase/decrease in efficiency	11-20	PMI complies with all the applicable regulatory standards required by the national water authority. In line with these requirements, PMI treats water at a primary level to remove total

						<p>suspended solids, oil and grease. Only 5 factories are limiting the wastewater treatment only to primary treatment. In all cases the water is being further treated in a third-party wastewater treatment plant.</p>
Discharge to the natural environment without treatment	Not relevant					<p>PMI is required to treat its water discharges to the natural environment to a primary, secondary, or tertiary level depending on the location of our manufacturing plant, type of operations, and applicable national</p>

						regulations and standards. As we do not discharge untreated water to the natural environment, this category is not applicable. PMI water data including discharges are fully monitored on an annual basis, and results are verified by a third-party auditor.
Discharge to a third party without treatment	Relevant	527.18	About the same	Increase/decrease in efficiency	31-40	PMI complies with all the applicable regulatory standards required by the national water authority. Factories that are built within industrial parks are required to treat their

						wastewater at industrial, large-scale wastewater treatment facilities. In line with these requirements, wastewater from these sites is treated in third party facilities.
Other	Relevant	17.03	Much lower	Increase/decrease in efficiency	1-10	PMI complies with all the applicable regulatory standards required by the national water authority. In line with these requirements, our two factories in Indonesia pre-treat wastewater before it is discharged onto a third-party wastewater treatment plant.

## W1.2k

**(W1.2k) Provide details of your organization's emissions of nitrates, phosphates, pesticides, and other priority substances to water in the reporting year.**

	Emissions to water in the reporting year (metric tonnes)	Category(ies) of substances included	Please explain
Row 1	9.1	Nitrates Phosphates Pesticides	We currently monitor water discharge quality in 12 manufacturing sites. The scope of the monitoring includes emissions of nitrates, phosphates, pesticides and other substances. We currently monitor this water parameter twice a year, through laboratory analysis of concentration of pollutants in our water discharges.

## W1.3

**(W1.3) Provide a figure for your organization's total water withdrawal efficiency.**

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	31,800,000,000	3,089	10,294,593.7196504	We anticipate our withdrawal efficiency to be about the same in the short-medium term (1-5 years) as we continue to expand our portfolio of SFPs, and to be progressively improve in the medium-long term (5-15 years). While public health benefits of smoke-free products justify the trade-off of increased water intensity, we are accelerating our efforts to mitigate their increased water demand. In 2022, we reduced water intensity per million units of cigarettes equivalent sold by 3.8% versus 2021.

## W-FB1.3/W-AC1.3

**(W-FB1.3/W-AC1.3) Do you collect/calculate water intensity for each commodity reported in question W-FB1.1a/W-AC1.1a?**

Agricultural commodities	Water intensity information for this produced commodity is collected/calculated	Water intensity information for this sourced commodity is collected/calculated	Please explain
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Tobacco	Not applicable	Yes	<p>We source tobacco as raw material to manufacture our products. Water intensity is calculated by dividing the total quantity of water (m3) used for irrigation by tobacco farmers supplying tobacco to PMI by total tobacco volume (ton) sourced. The data collection focuses on water consumption at the farm specifically requesting cubic meters of water use per cultivation stage and is managed through a global, annual survey covering the entire geographical scope of our tobacco sourcing. Water use has been estimated: recording the water used during seedbed, transplanting and field stages, and considering the irrigation systems used. Both irrigated and rainfed origins are covered, with the latter contributing marginally with water consumption for seedbed and transplanting. During 2022 we have continued to collect irrigation data from all suppliers, covering all forms of irrigation used across our tobacco supply chain.</p>
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### W-FB1.3b/W-AC1.3b

(W-FB1.3b/W-AC1.3b) Provide water intensity information for each of the agricultural commodities identified in W-FB1.3/W-AC1.3 that you source.

#### Agricultural commodities

Tobacco

#### Water intensity value (m3/denominator)

263

#### Numerator: Water aspect

Freshwater withdrawals

**Denominator**

Tons

**Comparison with previous reporting year**

Much lower

**Please explain**

PMI's water intensity decreased by 22% compared to 2021 (339 m<sup>3</sup>/ton of tobacco sourced). These changes were primarily driven by changes in our sourcing strategy (e.g. decreased sourcing from areas with high water footprint), climatic trends and improvements on water management practices including the distribution of specific technical guidance on how to monitor and report water volumes in irrigation among all our suppliers

PMI uses water intensity, as well as other water-related metrics (e.g. withdrawals by TGA, global water risk assessment, local risk assessment) to identify priority TGAs for the development of water related projects. These metrics are also used to identify the particular needs of tobacco farmers in each TGA, such as maximizing water use efficiency (e.g., rainwater harvesting), collecting and storing stormwater (e.g. irrigation ponds) or to improve water quality by protecting natural ecosystems (e.g. upstream reforestation). An example of the use of this information in 2022 is the expansion of our irrigation pond project in India, to include check dams, a percolation tank, and distillation tanks used to increase water suppliers for tobacco farmers and community members, as well as recharging groundwater table in the project area.

We expect water intensity to increase in the short term, as we are recording a continuous increment in risk factors linked to seasonal variability in the tobacco-growing areas where we operate.

Still, PMI has a comprehensive water stewardship strategy in place, that will help to reduce water intensity from our tobacco farmers over mid-to long-term. This strategy is centred on an effective identification of risks and opportunities, the implementation of key interventions at relevant TGAs, and the adoption of a landscape approach to protect natural resources and recharge areas.

As part of our strategy, we have set a target of optimizing at least 10 million cubic meters of water (cumulative since 2019) in our tobacco-growing areas by 2030 through dedicated projects that address shared water challenges in the watersheds where we operate. By end of 2022, our efforts have contributed to optimizing a total of 4.9 million m<sup>3</sup> of water in our TGAs, through projects ranging from irrigation efficiencies to rainwater harvesting. These water volume figures were validated by a third party.

**W1.4**

**(W1.4) Do any of your products contain substances classified as hazardous by a regulatory authority?**

	Products contain hazardous substances
Row 1	Yes

## W1.4a

**(W1.4a) What percentage of your company's revenue is associated with products containing substances classified as hazardous by a regulatory authority?**

Regulatory classification of hazardous substances	% of revenue associated with products containing substances in this list	Please explain
Annex XVII of EU REACH Regulation	Less than 10%	<p>Some of the smoke-free electronic devices commercialized by PMI may contain hazardous substances in their components, for example, as part of the device's battery, according to EU REACH Regulation, EU SVHC list and EU POP Regulation. Information regarding hazardous substances in the electronic device is reported to the EU via SCIP database. In total this represents &lt;2% of PMI's revenue.</p> <p>For those products that are broken or have reached end-of-service and cannot be given a second life, our centralized CIRCLE hubs inspect, process, and separate materials for recycling. We continue to grow the capacity of these hubs and to expand their coverage by onboarding new markets. We achieved a CIRCLE hub coverage of 61 percent market volume globally in 2022 (2021: 63 percent) and have a target of covering 100% by 2025. Through our CIRCLE hubs, we also have a target to achieve an effective recycling rate of &gt;80% for our SFP devices by 2025; in 2022, we reached 53%.</p>

## W1.5

**(W1.5) Do you engage with your value chain on water-related issues?**

	Engagement
Suppliers	Yes
Other value chain partners (e.g., customers)	Yes

## W1.5a

**(W1.5a) Do you assess your suppliers according to their impact on water security?**

**Row 1****Assessment of supplier impact**

Yes, we assess the impact of our suppliers

**Considered in assessment**

Basin status (e.g., water stress or access to WASH services)

Supplier dependence on water

Supplier impacts on water availability

Supplier impacts on water quality

**Number of suppliers identified as having a substantive impact**

6

**% of total suppliers identified as having a substantive impact**

Less than 1%

**Please explain**

The number of suppliers refers only to PMI's tobacco supply chain. Tobacco suppliers represent 53% of PMI's water footprint and are PMI's priority when it comes to water security engagement. We assess supplier's impacts on water security through water risk scores by supplier, which consider baseline water stress, groundwater table decline, seasonal variability, irrigation, and exposure and management of water risks. Scores are developed through primary data (annually collected) on supplier withdrawals, type of irrigation system, use of fertilizers and other indicators, as well as supplier's exposure and management of water risks (i.e. water stress, water quality) at the farm and watershed level (through Local Risk Assessments).

These indicators are consolidated in a single water risk score, which is used to define if a suppliers' impact is substantive. The threshold to define suppliers' impact as substantive is a score of  $\geq 20$  points in the water risk score (scores range from 0 to 25).

**W1.5b**

**(W1.5b) Do your suppliers have to meet water-related requirements as part of your organization's purchasing process?**

	Suppliers have to meet specific water-related requirements
Row 1	Yes, water-related requirements are included in our supplier contracts

**W1.5c**

**(W1.5c) Provide details of the water-related requirements that suppliers have to meet as part of your organization's purchasing process, and the compliance measures in place.**

**Water-related requirement**

Complying with going beyond water-related regulatory requirements

**% of suppliers with a substantive impact required to comply with this water-related requirement**

100%

**% of suppliers with a substantive impact in compliance with this water-related requirement**

100%

**Mechanisms for monitoring compliance with this water-related requirement**

Supplier self-assessment

Supplier scorecard or rating

**Response to supplier non-compliance with this water-related requirement**

Retain and engage

**Comment**

For all our standard tobacco purchases, suppliers are contractually required to comply with our Good Agricultural Practices (GAP) program, which includes requirements for all farmers to develop an action plan to measure and reduce impacts on the environment. Some of the key water related elements of the GAP program are related to sustainable freshwater use (with requirements on water extraction, water efficiency and soil conservation), pollution prevention, compliance with all applicable law regulation, and the execution of a water risk assessment. Compliance with the GAP program is assessed through supplier self-assessments; results from local water risk assessments are assessed through supplier scorecards.

**Water-related requirement**

Conducting water-related risk assessments on a regular basis (at least once annually)

**% of suppliers with a substantive impact required to comply with this water-related requirement**

100%

**% of suppliers with a substantive impact in compliance with this water-related requirement**

100%

**Mechanisms for monitoring compliance with this water-related requirement**

Supplier scorecard or rating

**Response to supplier non-compliance with this water-related requirement**

Retain and engage

**Comment**

PMI assesses impacts on water security by annually collecting primary data at the farm level from supplier on withdrawals related to standard tobacco purchases, type of irrigation system, use of fertilizers and other indicators through Environmental Insights tool (EIT). Through Local Risk Assessments, suppliers implement actions to manage

water risks such as water stress and water quality, while constantly monitoring indicators related to the farm as well as the applicable watershed. We have conducted a total of 39 LRAs since 2018, covering 81 percent of our TGAs, including multiple watersheds within some of these areas.

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**Water-related requirement**

Engaging with their suppliers on water security actions

**% of suppliers with a substantive impact required to comply with this water-related requirement**

100%

**% of suppliers with a substantive impact in compliance with this water-related requirement**

100%

**Mechanisms for monitoring compliance with this water-related requirement**

Off-site third-party audit

**Response to supplier non-compliance with this water-related requirement**

Retain and engage

**Comment**

We have a target in place to optimize at least 10 million cubic meters of water (cumulative since 2019) in our TGAs and related to our tobacco standard purchases by 2030 through dedicated projects that address shared water challenges in the watersheds where we operate. In pursuing this aspiration, we aim to mitigate water-related risks and help address shared water challenges. We follow the World Resources Institute's volumetric benefit accounting methodology to measure the progress we are making. We implement various projects addressing shared water challenges, with a strong emphasis on community-based projects. This includes initiatives in Brazil where, since 2018, we have supported farmer communities to fence and protect areas around streams against biological contamination from cattle and agro-chemical runoff to address water quality issues. Results are audited by a third party.

## W1.5d

**(W1.5d) Provide details of any other water-related supplier engagement activity.**

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**Type of engagement**

Information collection

**Details of engagement**

Collect water management information at least annually from suppliers

Collect information on water-related risks at least annually from suppliers

Collect water quantity information at least annually from suppliers (e.g., withdrawal and discharge volumes)

Collect water quality information at least annually from suppliers (e.g., discharge quality, pollution incidents, hazardous substances)

Collect WASH information at least annually from suppliers

**% of suppliers by number**

Less than 1%

**% of suppliers with a substantive impact**

100%

**Rationale for your engagement**

The number and proportion of standard purchase suppliers refers only to PMI's tobacco supply chain. Tobacco suppliers represent 53% of PMI's water footprint and are the company's priority when it comes to water security engagement, including 20 countries and covering 100% of our contracted tobacco spend. PMI provides GAP guidelines for water management practices, which cover water scarcity, local impacts, water efficiency, and WASH. Our tobacco suppliers are contractually required to comply with the program's requirements, among which includes reporting on several indicators related to irrigation technology, water consumption per irrigation type, and water consumption per field stage.

PMI incentivizes suppliers to report water data by highlighting how access to water metrics is a critical component of an effective water management strategy that allows tobacco farmers to mitigate potential impacts from climate change. As part of this process, PMI builds capacities around water accounting and reporting, and works together with suppliers to identify and report risks and opportunities.

Information collected by suppliers is then used to develop location-specific projects to improve water management conditions and mitigate applicable risks. PMI informs its tobacco sourcing strategy with results from risk assessments as well as irrigation consumption data and is exploring how to incorporate it into its sourcing principles; this will help PMI to be aware of the areas for improvement and work with suppliers to continuously enhance water stewardship practices in relation to volume allocation and contractual supplier relations.

**Impact of the engagement and measures of success**

PMI requires tobacco suppliers to report water consumption figures at farm level for their farmers contracted to supply PMI. PMI collects this data on an annual basis through a dedicated tool, the Environmental Insights survey that focuses on multiple indicators including water withdrawals, type of irrigation system and use of fertilizers. Through Local Risk Assessments, suppliers implement actions to manage water risks such as water stress and water quality, while constantly monitoring indicators related to the farms as well as the watershed in which farms are located. PMI keeps track of suppliers' risk management outcomes cross-referencing points of attention resulting from the LRAs with the annual reporting of the Environmental Insights tool to further engage on continuous improvement of watershed and farms' water performance.

Suppliers are expected to annually improve their performance by demonstrating continuous improvements on their water practices. PMI uses individual supplier scorecard to track annual performance for each indicator and the LRA results to prioritize interventions based on risk. Based on this information, PMI together with suppliers identify and develop projects that meet the needs of the relevant tobacco growing area (TGA) such as maximizing water use efficiency (e.g., rainwater harvesting), collecting and storing stormwater (e.g., irrigation ponds) or to improve water quality by protecting natural ecosystems (e.g., upstream reforestation). Success is measured as the percentage of farmers implementing best practices (captured through the scorecard), which results in the mitigation of water related risks and an increase of farmers resilience.

### Comment

For more details on PMI's supplier engagement activity, please refer to our Integrated Report.

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### Type of engagement

Innovation & collaboration

### Details of engagement

Encourage/incentivize innovation to reduce water impacts in products and services  
 Encourage/incentivize suppliers to work collaboratively with other users in their river basins toward sustainable water management  
 Educate suppliers about water stewardship and collaboration

### % of suppliers by number

Less than 1%

### % of suppliers with a substantive impact

100%

### Rationale for your engagement

The number and proportion of standard purchase suppliers refers only to PMI's tobacco supply chain. Tobacco suppliers represent 53% of PMI's water footprint and are the company's priority when it comes to water security engagement, including 20 countries and covering 100% of our standard purchase contracted tobacco spend. Through our GAP program implementation, we address water issues within the tobacco supply chain (covering contracted but also other farmers in the markets we source from), collaborating with suppliers on implementing best practices towards generating measurable improvements. PMI supports suppliers to identify and mitigate risks where they operate and seize water opportunities through dedicated trainings for farmers and field technicians aimed at increasing capacity on water resource management at the farm.

PMI has set a target of optimizing at least 10 million cubic meters of water (cumulative since 2019) in our tobacco-growing areas by 2030 through dedicated projects that address shared water challenges in the watersheds where we operate. To achieve this

goal, we plan to generate volumetric water benefits through farm- and landscape-level interventions, leveraging our on-the-ground presence in collaboration with our suppliers and local stakeholders. To complement our global water risk assessment, we routinely engage suppliers through local water assessments, which leverage primary data sources and interviews with stakeholders to gauge both external and internal water risk on the ground. As part of this process, PMI builds capacities amongst suppliers about water stewardship and collaboration and develops location specific projects to mitigate local water risks.

### **Impact of the engagement and measures of success**

Some concrete examples of beneficial outcomes from our engagement strategy include the completion of local water risk assessments (LRAs), our engagement through the Good Agricultural Practices (GAP) program, the development of projects to achieve our 2030 water optimization target, and the provision of WASH access. Since 2018, we have completed 39 local water risk assessments and we aim to cover all tobacco-growing areas (TGAs) by the end of 2025. In 2022, we completed LRAs in Brazil, Poland, South Africa, Turkey, and the U.S. The outcome of these assessments helped identify the shared water challenges that are a necessary starting point for properly designed risk mitigation initiatives. Through GAP, PMI provides training sessions on best practices to improve water management conditions. The beneficial outcome of GAP is that tobacco supply chains become more resilient to the impacts of climate change, including seasonal variability, drought, floods and other water related issues.

We have a target in place to optimize at least 10 million cubic meters of water in our TGAs by 2030 through dedicated projects that address shared water challenges in the watersheds where we operate. To date, we have implemented water stewardship initiatives in Argentina, Brazil, India, Italy, Mozambique, Pakistan, and Turkey. Combined, these efforts contributed to optimizing a total of 4.9 million cubic meters of water in our TGAs since 2019, bringing us well on track to achieve our 2030 aspiration.

PMI measures engagement success differently, depending on the type of engagement activity; success of our LRAs is measured through the achievement of our target (to cover 100% TGAs by 2025). In the case of nature-based solutions, success is measured through project's volumetric contribution towards our 2030 water optimization targets (10 million cubic meters by 2030). The success of our GAP program is measured through the number of farmers participating in the training sessions as well as implementing best water practices. For WASH, success is measured through the achievement of the targets for contracted farmers and worker accommodations: 100% access to basic drinking water by 2025, 100% access to sufficient drinking water quality by 2030, and 100% access to sanitation and hygiene facilities by 2030.

### **Comment**

For more details on PMI's supplier engagement activity, please refer to our Integrated Report.

**Type of engagement**

Incentivization

**Details of engagement**

Other, please specify

Supplier due diligence and Responsible Sourcing Principles to achieve supplier compliance with our responsible sourcing principles in the Non-Tobacco supply chain

**% of suppliers by number**

1-25

**% of suppliers with a substantive impact**

None

**Rationale for your engagement**

All our business partners must comply with our Responsible Sourcing Principles which define expectations both for our suppliers, as well as their suppliers. We validate the adherence to the RSP engaging with them via our Supplier Due Diligence program. We leverage our partnership with EcoVadis—the leading global service provider of online ESG supplier assessments—to monitor and assess the sustainability performance of our suppliers of direct materials (excluding tobacco and electronics suppliers, for which we use tailored due diligence tools).

The engagement focuses on critical suppliers, that are defined as follows: Critical Suppliers are those Tier 1 and Tier 2 managed suppliers who manufacture or sell components used in the manufacture of PMI finished products with a minimum yearly spend > \$0.5 million and all Electronics suppliers Tier 1 and Tier 2 who are commercially managed by PMI. All tobacco farmers directly contracted by PMI affiliates or by our third-party tobacco suppliers are considered critical suppliers. Third-party tobacco suppliers are also considered critical suppliers. On top of the RSP, our tobacco suppliers must comply with the Good Agriculture Practices (GAP) and the Agricultural Labor Practices (ALP) codes which are verified through a continuous on the ground monitoring via field technicians.

Alongside our activities on prioritized spend categories, during 2022 we further explored our indirect spend supply chain. We engaged through a multistakeholder, sector-specific working group and started the process of identifying risks and complexities of the category. In 2023, we will deepen and refine our strategy, taking the lessons learned into consideration. In addition, we continued to assess the sustainability performance of our suppliers across other procurement categories, including indirect materials and services. This allowed us to evaluate suppliers representing approximately 40 percent of our indirect spend in 2022.

**Impact of the engagement and measures of success**

Through this process, we analyse the status of our supplier's compliance with our Responsible Sourcing Principles, including water resources conservation and pollution.

Both are an integral part of the assessment object of the due diligence. The results might trigger suppliers deep dive sessions to understand the corrective action plans developed to close significant gaps identified. Further on-site audit might be requested if the corrective action plan is not satisfactory.

During 2022, 116 suppliers representing 97 percent of our total direct material spend were assessed. Of these, 93 percent demonstrated a good sustainability performance, based on the score provided by the assessment platform, and only 7 percent were below the minimum threshold required and had to complete a corrective action plan before reassessment in 2023. The areas for improvement identified are segmented by theme, indicator, and priority. High-priority improvement areas are mainly related to the implementation of policies in ethics and sustainable procurement across the supplier's operations. Medium-and low-priority improvement areas highlight gaps in environmental and human rights policies and reporting. We followed up on findings from our 2021 assessments by launching, as necessary, corrective action plans, reassessments, and audits. The large majority (80 percent) of the suppliers reassessed after completing a deep dive review of their corrective action plans improved their sustainability performance, and 60 percent of them achieved the minimum score required by PMI.

### Comment

For more details on PMI's supplier engagement activity, please refer to our Integrated Report.

## W1.5e

**(W1.5e) Provide details of any water-related engagement activity with customers or other value chain partners.**

### Type of stakeholder

Customers

### Type of engagement

Education / information sharing

### Details of engagement

Run an engagement campaign to educate stakeholders about the impacts on water that (using) your products, goods, and/or services entail

### Rationale for your engagement

While many consumers dispose of their cigarette butts properly, too many of them end up in the environment, including water ecosystems. We believe that to change this reality consumers need to be more aware about the environmental impacts of littering and, specifically, about the nature of the cigarette filter. Consumer insights data from 10 markets show us that only about one-quarter of adult smokers are aware that cellulose acetate is one of the main constituents of cigarette filters and only about half of them mention either the cigarette filter or the plastic wrap outside the pack as main pollutants.

PMI prioritises engagement with customers to continue raising awareness and drive behaviour change to prevent littering. To drive behaviour change we therefore need to continue focusing on raising awareness and ensuring that littering is considered unacceptable. This requires us to develop and implement actions that respond to local realities and the socioeconomic and cultural specificities of the various places where we operate

### Impact of the engagement and measures of success

In 2022, we analyzed a range of solutions and created an anti-littering toolkit for markets focused on two aspects: 1. 'Reach' activities focus on passing along the message directly to consumers, mainly using our own channels. Examples include on-pack and point-of-sale messaging. 2. 'Impact' activities involve initiatives to raise awareness of the issue beyond the consumers of our brands and develop solutions in partnership with civil society organizations, local governments, and other stakeholders. Examples include corporate communication campaigns, initiatives to identify litter hotspots and improve public infrastructure, making portable ashtrays available, etc.

Success is measured by the proportion of markets deploying at least one 'Reach' and one 'Impact' activity each year. We are making strong progress toward our 2025 aspiration of 80 percent weighted average, within regulatory restrictions.

## W2. Business impacts

### W2.1

**(W2.1) Has your organization experienced any detrimental water-related impacts?**

No

### W2.2

**(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?**

	Water-related regulatory violations	Fines, enforcement orders, and/or other penalties	Comment
Row 1	Yes	Fines, but none that are considered as significant	PMI only reports fines above a threshold of \$10,000 in the Integrated Report. For CDP reporting purposes, we report all fines received during the year, even if below this threshold.  As part of our operations, we record fines using our EHS&S Performance Monitoring System according to the ISO 14001 standard (i.e., all factories are certified and need to monitor compliance with all environmental legislation and report any yearly deviations including fines).

## W2.2a

**(W2.2a) Provide the total number and financial value of all water-related fines.**

### Row 1

#### Total number of fines

2

#### Total value of fines

405

#### % of total facilities/operations associated

3

#### Number of fines compared to previous reporting year

Much lower

#### Comment

PMI had 2 water related fines in 2022. As part of PMI's Integrated Report, we only report fines above a threshold of \$10,000; the 2 fines referred to here consider all fines received during the year, including those below this threshold. As part of our operations, we record fines using our EHS&S Performance Monitoring System according to the ISO 14001 standard (i.e., all factories are certified and need to monitor compliance with all environmental legislation and report any yearly deviations including fines).

## W3. Procedures

### W3.1

**(W3.1) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?**

	Identification and classification of potential water pollutants	How potential water pollutants are identified and classified
Row 1	Yes, we identify and classify our potential water pollutants	In our direct operations, we use safety data sheets to identify and classify all chemicals before they are delivered to our premises. Chemicals are assessed based on their properties (i.e. health & safety hazards and environmental impacts) and classified, registered and monitored as per the applicable local standards and legislation. The classification process is based on several indicators and metrics, including toxicity, flammability, and others. These, and other standards to manage chemicals and prevent spills are integrated in all our factories environmental management systems, and their implementation is certified in the frame of the ISO 14001 certification.

		<p>In our supply chain, all tobacco suppliers are requested to implement PMI's Good Agricultural Practices (GAP). As part of the GAP standard, potential water pollutants are identified, classified, and managed. For synthetic pesticides, suppliers must account for environmental and human health risk where there is a choice of pesticides. Products classified by the World Health Organization (WHO) as toxicity class III or lower toxicity classes (higher the class, lower the toxicity level) are preferred. Class II should only be used in well-justified cases, and Class I must not be used at all.</p> <p>PMI implements a global Integrated Pest Management (IPM) program to reduce usage of unnecessary pesticides (Crop Protection Agents-CPAs), promoting less hazardous alternatives and correct management, including annual trainings.</p>
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### W3.1a

**(W3.1a) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.**

#### Water pollutant category

Pesticides

#### Description of water pollutant and potential impacts

Pesticides used to protect tobacco crops from pests and diseases, can contaminate aquatic systems by surface run-off and leaching; pesticide residues present in watercourses and groundwater can also have a negative effect on humans through consumption of fish and shellfish that are contaminated. The contamination can be caused by inappropriate management of the pesticide and can have a negative impacts on the ecosystems such as eutrophication, according to the toxicological characteristics of the active ingredient. An example from tobacco cultivation is Diamide insecticides, Flubendiamide and Chlorantraniliprole which are used in some geographies to control Lepidoptera pests in tobacco. It has been reported that when mismanaged, these insecticides can cause hazard to aquatic life.

In order to limit potential impact on water, PMI has imposed maximum residue levels for these insecticides which are lower than those adopted by the industry. Impacts from potential water pollutant mismanagement could have significant consequences to PMI's tobacco supply chain. In 2018, PMI identified that misuse of pesticides could represent around 5% of PMI's modelled water pollution footprint; PMI confirmed that this estimation remains valid for 2022.

PMI also eliminated the use of insecticide methomyl (WHO Toxicity Class I) for the

production of tobacco destined to the company, replacing it with biopesticides such as *Bacillus thuringiensis* with no toxicity for aquatic life and human health.

### **Value chain stage**

Supply chain

### **Actions and procedures to minimize adverse impacts**

Reduction or phase out of hazardous substances

### **Please explain**

PMI requests tobacco suppliers to implement PMI's Good Agricultural Practices (GAP), including those related to pesticide use. These include guidelines on how to account risks related to pesticides, as well as on the application and selection of pesticides, always prioritizing alternatives lower toxicity classification by the World Health Organization (WHO), and completely avoiding those with Class I toxicity. We further engage suppliers and provide trainings annually through an Integrated Pest Management program and through the use of a tool developed in collaboration with the Centre for Agriculture and Bioscience International, which provide country-specific guidelines on the use of pesticides. Through GAP, we also promote the use of unnecessary pesticides as well as safe disposal and/or recycling of empty containers. These tools plus trainings raise awareness of potential impacts of pesticides and enable PMI to deter their misuse and associated negative impacts.

PMI measures success for GAP and IPM programs through various specific indicators. E.g., pesticide residues are measured by PMI's Tobacco Lot Integrity program where every packed lot is tested by independent, accredited labs before PMI accepts it. The measure of success for this program is that all sourced tobacco lots have to be free from quantifiable levels of residues attributable to the use of WHO TOX1 CPAs, which has been achieved since 2018. In 2022, this also included other HHPs as well.

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### **Water pollutant category**

Nitrates

### **Description of water pollutant and potential impacts**

Fertilizers are used to improve tobacco yield within PMI's agricultural supply chain; however, they can enter groundwater or watercourses, impacting aquatic ecosystems through eutrophication. PMI considers impacts from mismanagement of fertilizers such as overdosage or improper application related to vulnerable natural areas especially water bodies near to tobacco growing areas to be of a significant magnitude as the use of fertilizers involves all of PMI's suppliers of tobacco, and if not properly managed fertilizers could cause eutrophication of water and pollution. For this reason, all suppliers have to comply with good fertilizer management practices that are part of GAP program.

In 2018, with the support from an external consultant, PMI developed its water footprint model based on the ISO14036. The model considers PMI's direct and indirect operations through a life-cycle approach, incorporating water consumption, depletion and pollution aspects. With this tool PMI identified that fertilizer leaching from tobacco

cultivation could represent up to 62% of PMI's modelled water pollution footprint (non-tobacco supply chain represents an additional 33%) and this remains pertinent for 2022.

### **Value chain stage**

Supply chain

### **Actions and procedures to minimize adverse impacts**

Beyond compliance with regulatory requirements

### **Please explain**

Through its Good Agricultural Practices (GAP) program, PMI promotes a series of practices for suppliers to optimize fertilizer usage. PMI encourages soil analysis as a basis for farmers to optimize fertilization. By calculating the soil available nutrients and related deficiencies and matching them with plant uptake needs, an optimized fertilization plan can be designed and implemented, ensuring no excess in the amount of fertilizers needed by the plant and, therefore, minimizing fertilizer leaching to the water table, avoiding the main source of eutrophication.

PMI's GAP principles and standards promote the use of fertilizers with identified sources of origin, with available certificates of analysis, and that comply with regulatory standards, where enforced, or with the PMI's internal GAP standards.

Through GAP PMI also promotes the development of water protection plans that include the implementation of buffer zones next to where fertilizers are utilized, the avoidance of methods and timing of fertilizer application that may result in leaching, the safe handling and storing of fertilizers to prevent contamination of water.

PMI measures and evaluates success of these initiatives through a series of targets and indicators within GAP, including the % of farmers implementing best practices on fertilizer optimization as described in the program, which is part of the contractual obligations for suppliers.

## **W3.3**

### **(W3.3) Does your organization undertake a water-related risk assessment?**

Yes, water-related risks are assessed

## **W3.3a**

### **(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.**

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#### **Value chain stage**

Direct operations

Supply chain

Other stages of the value chain

#### **Coverage**

Full

**Risk assessment procedure**

Water risks are assessed as part of other company-wide risk assessment system

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

More than 6 years

**Type of tools and methods used**

Tools on the market  
International methodologies and standards  
Other

**Tools and methods used**

WRI Aqueduct  
Alliance for Water Stewardship Standard  
Life Cycle Assessment  
IPCC Climate Change Projections  
Internal company methods  
External consultants

**Contextual issues considered**

Water availability at a basin/catchment level  
Water quality at a basin/catchment level  
Stakeholder conflicts concerning water resources at a basin/catchment level  
Impact on human health  
Implications of water on your key commodities/raw materials  
Water regulatory frameworks  
Status of ecosystems and habitats  
Access to fully-functioning, safely managed WASH services for all employees

**Stakeholders considered**

Customers  
Employees  
Investors  
Local communities  
NGOs  
Regulators  
Suppliers  
Water utilities at a local level

**Comment**

From tobacco cultivation to manufacturing, our products require water. Our agricultural supply chain accounts for around half of our water footprint. The second-largest share of our water use (around 41 percent) derives from other sectors of our supply chain—in particular, the processes by which the filters, paper, and packaging materials we source

are manufactured. Our direct operations are not particularly water intensive, representing around 6 percent of our water footprint, with fresh water used for manufacturing, sanitation, and other processes. Water is a renewable, yet finite resource shared by all. We can help combat water scarcity and advance global health and food security by responsibly managing our impacts on water, especially in water-stressed regions. To become better water stewards, PMI assesses water risks across its direct operations and tobacco supply chain annually.

### W3.3b

**(W3.3b) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.**

	Rationale for approach to risk assessment	Explanation of contextual issues considered	Explanation of stakeholders considered	Decision-making process for risk response
Row 1	PMI uses the WRI Aqueduct tool to evaluate potential water risks in our manufacturing sites and tobacco supply chain. For direct operations, we use the baseline water stress datasets, together with our site locations to detect water stressed sites (baseline water stress is equal or larger than 40%). We use the AWS standard to go beyond risk identification and & water management, towards tackling water challenges through a science-based approach to improve conditions across the watershed. We use LCAs to better understand the impact of our products' lifecycle, and to	We include the selected contextual issues in our risk assessment for the following reasons: 1) water availability is needed across multiple steps of our manufacturing processes, WASH for employees and stakeholders along the value chain, and for growing raw materials. Lack of water would impact our ability to operate, and our sourcing strategy; 2) high water quality is needed to manufacture our products in line with applicable requirement and regulations (e.g. EU directive 98/83/EC), and to protect our workers health, consumers, farmers,	We include the selected stakeholders in our risk assessment for the following reasons: 1) customers have increasing environmental expectations regarding the products they purchase, failure to respond to their concerns can have a negative impact in our business; 2) employees drive the implementation of our water targets and goals, and cascade them to suppliers; 3) investors have increased concerns regarding water performance, which if unaddressed can translate in financial risks; 4) failure to understand the needs of local communities and other water users at a basin/catchment level can result in	Outcomes of the risk assessment are used to manage risks in priority locations as following: 1) inform our sustainability and sourcing strategies, set objectives and targets, approve budgets for relevant projects; 2) develop interventions at manufacturing sites to optimize consumption, mitigate water risks, and comply with regulation; 3) develop projects to improve irrigation efficiency at the farm level, provide access to WASH or other water related interventions to increase resilience in TGAs; 4) identify water hotspots throughout the lifecycle of our products and optimize

<p>optimize their design, reducing impacts on water and other environmental indicators. In our value chain, we use Aqueduct to evaluate risks and opportunities across our tobacco growing areas (TGAs); 'water stressed areas' are defined as those with an overall physical water risk score above 3; results are complemented with a Local Risk Assessment (LRA), which involves a proprietary methodology used for on the ground risk assessments with tobacco suppliers. During the LRAs, we carry out site visits to tobacco farms to refine results and identify localized opportunities to mitigate water risks, optimizing water management through local data and insights from suppliers; build capacities amongst suppliers and validate findings. IPCC Climate Change Projections are at the basis of the approach used to identify potential water risks that could affect our operations. External</p>	<p>their livelihoods and their farms; 3) stakeholder conflicts concerning water resources, as tobacco farmers can face competition for limited water suppliers (even though tobacco is not particularly water intensive compared to other crops or manufacturing industries); 4) implications of water on our key raw materials, as impacts from water risks can cause supply chain disruptions, altering prices, as well as quality and availability of raw materials, impacting our business; 5) water regulatory frameworks, as PMI needs to understand existing and upcoming regulations, and ensure compliance in all countries where we operate; 6) status of ecosystems and habitats, as these are crucial for the preservation of water related ecosystem services (e.g. provision, regulation, supporting) that are key for our direct and indirect operations; 7) WASH, as PMI can improve existing</p>	<p>conflicts over water resources, particularly in water stressed areas; 5) NGOs provide support and additional technical expertise that allows PMI to manage water risks across the value chain; 6) regulators define rules, taxes, regulations and other water requirements that PMI needs to comply with in all countries where we operate; 7) suppliers are key at developing projects to reduce risks in our value chain, increasing resilience and meeting our water reduction and stewardship goals; 8) water utilities as they provide data and help PMI manage water usage at the facility level.</p>	<p>their design to reduce their environmental impact. Between 2018 and 2022 PMI has carried out 39 LRAs in its tobacco supply chain covering 81% of our TGAs and has managed to reduce, in its manufacturing operations, water intensity per million cigarettes equivalent from 4.7 to 2.5 cubic meters.</p>
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	consultants support us with these activities.	access conditions particularly in our tobacco value chain.		
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## W4. Risks and opportunities

### W4.1

#### (W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, both in direct operations and the rest of our value chain

### W4.1a

#### (W4.1a) How does your organization define substantive financial or strategic impact on your business?

PMI evaluates a “substantive impact” (e.g.: financial or strategic impact) based on a variety of factors and quantitative indicators, including but not limited to the potential impact on financial performance as well as other strategic factors that may affect PMI’s efforts and/or delivery towards a smoke-free future, ultimately replacing cigarettes with smoke-free products. The impacts reported as substantive strategic or financial impacts are defined as those identified and prioritized by management in our value chain, through key enterprise risks based on four risk dimensions: the impact a risk could have on the organization if it occurs, the likelihood a risk will occur, the velocity with which a risk would affect the organization if it occurs, and the interconnectivity of a risk with other risks, that exceed defined thresholds at the corporate level.

As part of the Company’s annual Integrated Risk Assessment (IRA) process, we have in place an extensive risk control program by which we assess the climate change physical risks including the water-related ones. Specifically in our operations, locations with values exceeding (among others, buildings, machinery & equipment, stock & supplies, inventory, and business interruption exposure) \$30 million range are surveyed by engineers from our property insurer, who provide recommendations to us on the magnitude of environmental risks, for example risk of flooding that could cause reduction or disruption in production capacity in specific locations, and the cost of management. A survey threshold of \$ 30 million is used to focus assessments and mitigation efforts to sites likely to present beneficial cost to risk improvement ratios. Recommendations for risk management are given if the expected reduction in the financial impact of the risk exceeds the cost to comply by a factor of 10 or more. Internally, we focus on recommendations above the \$50 million range as management of identified risks can involve substantial capital expenditure and disruption to operations including our supply chain.

In 2022+ risk forecasting terms, in relation to our tobacco supply chain, we assumed as substantive risks those with a potential impact in excess of \$5 million or a raw material impact in excess of 1000 metric tons of tobacco leaves. This definition is applicable to PMI’s agricultural supply chain. For example, in our 2022 water risk assessment in our tobacco growing areas, risks like drought, flooding and cyclones and other severe weather events with a potential impact above \$5 million have been identified in Indonesia, the Philippines and Brazil.

## W4.1b

**(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?**

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	4	1-25	Annually, our company's risk and opportunity identification and management process covers regulatory, reputational, physical climate, water, geopolitical and market issues. Since 2015, we have performed a comprehensive Climate Change risk assessment. Our Climate change risks and opportunities assessment was further aligned with the TCFD recommendations. The analysis is updated every year, also including a water risk assessment of physical water risks (water supply, drought, water stress, flood, water quality) through WRI Aqueduct.

## W4.1c

**(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?**

### Country/Area & River basin

Italy

Other, please specify

Samoggia and Reno

### Number of facilities exposed to water risk

2

### % company-wide facilities this represents

1-25

### % company's total global revenue that could be affected

1-10

### Comment

PMI uses the WRI Aqueduct tool to evaluate potential water risks in our manufacturing sites and tobacco supply chain. For direct operations, we use the baseline water stress datasets, together with our site locations to detect water stressed sites (those where baseline water stress is equal to or larger than 40%). We use the AWS standard to go beyond risk identification and water management, towards tackling shared watershed

challenges through a science-based approach that improves conditions across the watershed. We use LCAs to better understand the impact of our products across their lifecycle, and to optimize their design, reducing impacts on water as well as other environmental indicators.

In our value chain, we use Aqueduct to evaluate risks and opportunities across our tobacco growing areas (TGAs), where 'water stressed areas' are defined as those with an overall physical water risk score above 3; results are complemented with a Local Risk Assessment (LRA), which involves external consultants as well as internal company methods. During the LRAs, we carry out site visits to tobacco farms to refine results and identify localized opportunities to mitigate water risks, optimizing water management through local data and insights from suppliers; external consultants build capacities amongst suppliers to carry out the LRAs and validate our methodology and findings. IPCC Climate Change Projections are used to identify potential water risks that could affect operational sites, as well as key supplier assets such as ports and TGAs such as cyclones, floods, severe drought, and others.

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**Country/Area & River basin**

Indonesia

Other, please specify

Citarum river

**Number of facilities exposed to water risk**

1

**% company-wide facilities this represents**

1-25

**% company's total global revenue that could be affected**

11-20

**Comment**

PMI uses the WRI Aqueduct tool to evaluate potential water risks in our manufacturing sites and tobacco supply chain. For direct operations, we use the baseline water stress datasets, together with our site locations to detect water stressed sites (those where baseline water stress is equal to or larger than 40%). We use the AWS standard to go beyond risk identification and water management, towards tackling shared watershed challenges through a science-based approach that improves conditions across the watershed. We use LCAs to better understand the impact of our products across their lifecycle, and to optimize their design, reducing impacts on water as well as other environmental indicators.

In our value chain, we use Aqueduct to evaluate risks and opportunities across our tobacco growing areas (TGAs), where 'water stressed areas' are defined as those with an overall physical water risk score above 3; results are complemented with a Local Risk Assessment (LRA), which involves external consultants as well as internal company methods. During the LRAs, we carry out site visits to tobacco farms to refine

results and identify localized opportunities to mitigate water risks, optimizing water management through local data and insights from suppliers; external consultants build capacities amongst suppliers to carry out the LRAs and validate our methodology and findings. IPCC Climate Change Projections are used to identify potential water risks that could affect operational sites, as well as key supplier assets such as ports and TGAs such as cyclones, floods, severe drought, and others.

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**Country/Area & River basin**

Poland

Wisla

**Number of facilities exposed to water risk**

1

**% company-wide facilities this represents**

1-25

**% company's total global revenue that could be affected**

11-20

**Comment**

PMI uses the WRI Aqueduct tool to evaluate potential water risks in our manufacturing sites and tobacco supply chain. For direct operations, we use the baseline water stress datasets, together with our site locations to detect water stressed sites (those where baseline water stress is equal to or larger than 40%). We use the AWS standard to go beyond risk identification and water management, towards tackling shared watershed challenges through a science-based approach that improves conditions across the watershed. We use LCAs to better understand the impact of our products across their lifecycle, and to optimize their design, reducing impacts on water as well as other environmental indicators.

In our value chain, we use Aqueduct to evaluate risks and opportunities across our tobacco growing areas (TGAs), where 'water stressed areas' are defined as those with an overall physical water risk score above 3; results are complemented with a Local Risk Assessment (LRA), which involves external consultants as well as internal company methods. During the LRAs, we carry out site visits to tobacco farms to refine results and identify localized opportunities to mitigate water risks, optimizing water management through local data and insights from suppliers; external consultants build capacities amongst suppliers to carry out the LRAs and validate our methodology and findings. IPCC Climate Change Projections are used to identify potential water risks that could affect operational sites, as well as key supplier assets such as ports and TGAs such as cyclones, floods, severe drought, and others.

## W4.2

**(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

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**Country/Area & River basin**

Italy

Other, please specify

Samoggia and Reno

**Type of risk & Primary risk driver**

Chronic physical

Water stress

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

Water risk and opportunities assessment is undertaken at the site level to understand potential issues with regards to a shared and sustainable management of the water resources, following the AWS protocol and the ISO 14001 standard. At a global level PMI conducted a water risk assessment through the use of WRI Aqueduct and a Climate change risks and opportunities assessment following TCFD recommendations. These assessments aim to identify material risks and opportunities, which includes flood, drought, baseline water stress, water depletion and water quantity limitations risk management and mitigation plans discussed with our insurers and local stake holders. From the risk assessment, PMI identified that its manufacturing facility in Valsamoggia (Italy) is directly exposed to potential disruptions in production capacity due to water stress and drought, as these indicators were identified as 'very high risk' according to results from PMI's risk assessment, estimating one week of water unavailability as a minimum threshold which could cause a potential substantive impact.

In 2022 our smoke-free products manufacturing facility in the Samoggia and Reno river basins was responsible for about 45% of PMI's total production of heated tobacco units (HTUs) and therefore is strategically significant for the business.

**Timeframe**

4-6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

More likely than not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

1,950,000

**Potential financial impact figure - maximum (currency)**

15,570,000

**Explanation of financial impact**

We estimate the relative cumulative magnitude at the range of \$1.95 million to \$15.57 million in the medium to long term (4-6 years) for our operations based potential disruptions in production capacity and current production data, as well as per our insurance's estimations, not having experienced yet such an event.

PMI's range of potential financial impacts related to water impacts is developed by estimating potential losses related to minor and major business interruptions. This assessment is carried out on a per facility basis considering the total cost of business interruption per day based on production costs (excluding raw materials).

These costs mainly represent labour costs from business disruption, as production would not be able to continue. PMI's estimated range of financial impacts can be broken down as in the formula below; the actual number of days of business interruption will depend on the site's ability to recover from an event:

Potential financial impact (minimum): number of interruption days in minor event \* cost of business interruption per day

Potential financial impact (maximum): number of interruption days in major event \* cost of business interruption per day

**Primary response to risk**

Adopt water efficiency, water reuse, recycling and conservation practices

**Description of response**

PMI's response is already underway and has been focused on reducing water dependency on water withdrawals through the implementation of water saving initiatives in our factory. Since 2018, PMI has implemented several water efficiency, reuse, recycling and conservation projects have been implemented in this factory which specifically aim to reduce water consumption and make the site more resilient to increased local water stress.

The expected timeframe of completion of this response is 2025, following our updated sustainability roadmap which includes PMI's targets to optimize water usage across our operations. This timeframe is revised annually as part of our risk assessment process, and adjusted to reflect any changes arising from additional water interventions that are needed to mitigate these risks.

Since 2020, the factory in Italy has decreased its total water consumption by 19%. More

specifically, PMI has focused on investing in the following key interventions:

- standardization of primary washing;
- installation of water saving liquid pump;
- collection and reuse of firefighting water through installation of water tank;
- use reverse osmosis on treated recycled water in boilers and cooling towers;
- installation of SR-CT for Cooling Tower Water Treatment;
- reuse of treated wastewater in boilers;
- boiler blowdown cooling with re-used water;
- increase potable water use efficiency by implementing water plant saving settings.

In addition to those technical measures the site got certified according to the AWS protocol in 2019, aiming to further assess and mitigate these risks.

Besides our approach to optimize water consumption in our factory, we have safety margins and safety stocks to ensure that any potential negative impact from the identified risks could be adequately compensated through the course of our business-as-usual operations, preventing potential out of stock situations. Such safety stock are calculated based on historic supply and demand, as well as the evaluated risk exposure in a particular market.

### **Cost of response**

3,211,000

### **Explanation of cost of response**

The cost of response refers to the investment costs for the design and implementation of the initiatives from 2018 to 2022. Specifically, in 2022, PMI implemented several technologies, aiming to reduce water withdrawals. The cost of response corresponds to the design and implementation of all these:

- standardization of primary washing;
- collection and reuse of firefighting water through installation of water tank;
- installation of water saving liquid pump;
- boiler blowdown cooling with re-used water.

The implementation of these projects is expected to reduce water withdrawals by more than 20,000 m3 per year. PMI re-evaluates the need for further investments on an annual basis and updates its budget to manage water related risks in all factories, including in Italy.

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### **Country/Area & River basin**

Indonesia

Other, please specify

Citarum

### **Type of risk & Primary risk driver**

Acute physical

Flood (coastal, fluvial, pluvial, groundwater)

### **Primary potential impact**

Reduction or disruption in production capacity

### Company-specific description

Water risk and opportunities assessment is undertaken at the site level to understand potential issues with regards to a shared and sustainable management of the water resources, following the AWS protocol and the ISO 14001 standard. At a global level PMI conducted a water risk assessment through the use of WRI Aqueduct and a Climate change risks and opportunities assessment following TCFD recommendations. These assessments aim to identify material risks and opportunities, which includes flood, drought, baseline water stress, water depletion and water quantity limitations risk management and mitigation plans discussed with our insurers and local stake holders. From the risk assessment, PMI identified that its manufacturing facility in Citarum (Indonesia) is directly exposed to potential disruptions in production capacity due to floods and cyclones, estimating one week of water unavailability as a minimum threshold which could cause a potential substantive impact.

Potential impacts from cyclones could cause loss and/or disruption of production in manufacturing plants, warehouses, 3rd party operations, suppliers and ports, which directly impact PMI's operations. In 2022 the indicated facility in Karawang was responsible for the production of around 15% of PMI's total production of cigarettes. We disclose about this facility due to its relevance for the business and the potential impacts that could be caused by floods and cyclones.

### Timeframe

4-6 years

### Magnitude of potential impact

Medium-low

### Likelihood

Likely

### Are you able to provide a potential financial impact figure?

Yes, an estimated range

### Potential financial impact figure (currency)

#### Potential financial impact figure - minimum (currency)

470,000

#### Potential financial impact figure - maximum (currency)

3,750,000

### Explanation of financial impact

We estimate the relative cumulative magnitude at the range of \$0.47 million to \$3.75 million in medium to long term (4-6 years) for our Indonesian operations based on potential disruptions in production capacity and current production data, as well as per our insurance's estimations, although actual losses due to flood cases remained much below this threshold.

PMI's range of potential financial impacts related to water impacts is developed by estimating potential losses related to minor and major business interruptions. This assessment is carried out on a per facility basis considering the total cost of business interruption per day based on production costs (excluding raw materials). These costs mainly represent labour costs from business disruption, as production would not be able to continue. PMI's estimated range of financial impacts can be broken down as in the formula below; the actual number of days of business interruption will depend on the site's ability to recover from an event:

Potential financial impact (minimum): number of interruption days in minor event \* cost of business interruption per day

Potential financial impact (maximum): number of interruption days in major event \* cost of business interruption per day

### **Primary response to risk**

Develop flood emergency plans

### **Description of response**

PMI contracts external providers annually to develop flood emergency plans that mitigate flood and business continuity risks identified from the water risk assessment. External providers carry out additional flood risk assessments at the site level to further understand how sites are vulnerable to local flooding events. This is followed by the development of flood and cyclone emergency plans which are specific to our facilities' conditions in Indonesia and addressing the risks of flooding and cyclones. In Indonesia Karawang factory is located in the Industrial Estate Area in West Java province. For this site PMI's emergency plan is also covered by the industrial estate's emergency plan. PMI operates another factory in Sukorejo, which is located in East Java. As part of the PMI Business Contingency Plan, both manufacturing production facilities are linked, and Karawang's production can be temporally discontinued, in case of flood and cyclones, and be transferred to Sukorejo. PMI's insurance and business continuity management plans are informed through this process and designed to mitigate the impacts associated with disruptions that may result from flooding events.

PMI further mitigates these risks by having widely distributed operations across the world, which reduce impacts from individual facilities. This process was applied in the indicated manufacturing facility in Indonesia. This response is already underway; PMI revises these plans on a periodic basis (every year) as a business continuity exercise and carries out any necessary adjustments as needed.

Besides our approach to minimize impacts from potential floods, we have safety margins and safety stocks to ensure that any potential negative impact from the identified risks could be adequately compensated through the course of our business-as-usual operations, preventing potential out of stock situations. Such safety stock are calculated based on historic supply and demand, as well as the evaluated risk exposure in a particular market.

### **Cost of response**

1,000,000

**Explanation of cost of response**

The cost of response (\$ 1 million) is estimated based on recurring cost of external providers used to assess flood and business continuity risk annually, and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to cyclones/local flooding events. These assessments provide a better understanding on the scale and nature of this risk and our insurance and business continuity management plans are designed to mitigate the impacts from short-term (0-5 years) flooding events.

**Country/Area & River basin**

Poland  
 Wisla

**Type of risk & Primary risk driver**

Acute physical  
 Drought

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

Drought risk assessments are undertaken at the site level to understand how vulnerable sites are to local drought events through the use of WRI Aqueduct and IPCC Climate Change Projections. We conduct environmental risk assessments in the frame of ISO14001 to identify material risks and opportunities, which include drought risk management and mitigation plans. From the Global risk assessment, PMI identified that its manufacturing facility in the Wisla basin (Poland) is directly exposed to potential disruptions in production capacity due to drought. This indicator has been identified as 'medium-high' according to the results from PMI's risk assessment, and provided that the sole water source of the site is the third party provider, which, in case of drought, will have to prioritize other users (i.e., mainly households), in the city of Krakow where the site is situated.

We estimate one week of water unavailability as a minimum threshold which could cause a potential substantive impact. In 2022, our manufacturing facility in the Wisla basin was responsible for the production of around 14% of PMI's total production of cigarettes. We disclosed about this facility due to its relevance for the business based on its production capacity.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

Unlikely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

850,000

**Potential financial impact figure - maximum (currency)**

6,790,000

**Explanation of financial impact**

We estimate the relative cumulative magnitude at the range of \$0.85 million to \$6.79 million in the long term (more than 6 years) for our operations based on potential disruptions in production capacity and current production data, as well as per our insurance's estimations, not having experienced yet such an event. PMI's range of potential financial impacts related to water impacts is developed by estimating potential losses related to minor and major business interruptions. This assessment is carried out on a per facility basis considering the total cost of business interruption per day based on production costs (excluding raw materials). These costs mainly represent labour costs from business disruption, as production would not be able to continue. PMI's estimated range of financial impacts can be broken down as in the formula below; the actual number of days of business interruption will depend on the site's ability to recover from an event:

Potential financial impact (minimum): number of days in minor event \* cost of business interruption per day

Potential financial impact (maximum): number of days in major event \* cost of business interruption per day

**Primary response to risk**

Adopt water efficiency, water reuse, recycling and conservation practices

**Description of response**

PMI's response is already underway and has been focused on reducing water dependency on water withdrawals through the implementation of water saving initiatives in our factory. The expected timeframe of completion of this response is 2025, following our updated sustainability roadmap which includes PMI's targets to optimize water usage across our operations. This timeframe is revised annually as part of our risk assessment process and adjusted to reflect any changes arising from additional water interventions that are needed to mitigate these risks.

Since 2013, PMI has implemented several water efficiency, reuse, recycling and conservation projects which specifically aim to reduce water consumption and make the site more resilient to droughts. More specifically PMI has focused on investing in the following interventions:

- integration of steam and adiabatic humidifying systems;
- reduction of water use for steam production;
- simplification of Burley tobacco processing treatment;
- modernization of main Reverse Osmosis station;
- aerators in sinks and showers installation in change rooms;
- change in the suction vapor from pipe dryer;
- Reverse Osmosis unit modernization;
- reduction of water consumption by HAAR and scrubber in tobacco expansion plant;
- Water reduction for powder transfer in flavor preparation;
- Reduced time for Flash Tower Dryer automatic cleaning ;
- Leakage reduction in tobacco processing ;
- Reduced time for flavour tank cleaning;
- Reduced steam generation in the drying process ;
- Leakage reduction in Scrubbers;
- New water meters installation in and connection to the BMS.

Besides our approach to optimize water consumption in our factory, we have safety margins and safety stocks to ensure that any potential negative impact from the identified risks could be adequately compensated through the course of our business-as-usual operations, preventing potential out of stock situations. Such safety stock are calculated based on historic supply and demand, as well as the evaluated risk exposure in a particular market.

### **Cost of response**

102,000

### **Explanation of cost of response**

The cost of response (\$102,000) refers to the investment costs for the design and implementation of water initiatives from 2018 to 2022 (i.e., the cost is one unique cumulative figure referring to the total program budget and not calculated). Specifically, in 2022, PMI implemented the following technologies, aiming to reduce water withdrawals: :

- integration of steam and adiabatic humidifying systems;
- reduction of water use for steam production.

The implementation of these water efficiency projects is expected to reduce water withdrawals by more than 6,000 m3 per year. PMI re-evaluates the need for further investments on an annual basis and updates its budget to manage water related risks in all factories, including in Poland.

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### **Country/Area & River basin**

Italy

Other, please specify

Reno

**Type of risk & Primary risk driver**

Chronic physical  
Water stress

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

Water risk and opportunities assessment is undertaken at the site level to understand potential issues with regards to a shared and sustainable management of the water resources, following the ISO 14001 standard. At a global level PMI conducted a water risk assessment using of WRI Aqueduct and a climate change risks and opportunities assessment following TCFD recommendations. These assessments aim to identify material risks and opportunities, which include flood, drought, baseline water stress, water depletion and water quantity limitations risk management and mitigation plans discussed with our insurers and local stake holders.

From the risk assessment, PMI identified that its manufacturing facility in Zola Predosa (Italy) is directly exposed to potential disruptions in production capacity due to water stress and drought as these indicators were identified as 'very high risk' according to results from PMI's risk assessment, which could impact PMI's manufacturing operations during a dry year. This factory relies 100% on a 3rd party water provider that might have to prioritize other users (i.e.: mainly households), in case of water unavailability. This heated tobacco units manufacturing center is important in PMI operations, not for its manufacturing capacity, but for the capability to evaluate manufacturing optimization practices, including the ones related to water use, and therefore it is strategically significant for the business.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

More likely than not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)****Potential financial impact figure - minimum (currency)**

47,000

**Potential financial impact figure - maximum (currency)**

3,750,000

**Explanation of financial impact**

We estimate the relative cumulative magnitude at the range of \$47,000 to \$3,750,000 in the long term (more than 6 years) for our operations based on potential disruptions in production capacity and current production data, as well as per our insurance's estimations, not having experienced yet such an event.

PMI's range of potential financial impacts related to water impacts is developed by estimating potential losses related to minor and major business interruptions. This assessment is carried out on a per facility basis considering the total cost of business interruption per day based on production costs (excluding raw materials). These costs mainly represent labour costs from business disruption, as production would not be able to continue. PMI's estimated range of financial impacts can be broken down as in the formula below; the actual number of days of business interruption will depend on the site's ability to recover from an event:

Potential financial impact (minimum): number of interruption days in minor event \* cost of business interruption per day

Potential financial impact (maximum): number of interruption days in major event \* cost of business interruption per day

Even though the indicated financial impact figure is initially below our threshold for substantive financial impact, the risk has been evaluated as substantive due to the manufacturing facility strategic relevance and connection to the manufacturing of smoke-free products.

### **Primary response to risk**

Amend the Business Continuity Plan

### **Description of response**

This response has already been completed. PMI has a business continuity plan in place to prevent financial impacts from increased water stress that could lead to reduction or disruptions in production capacity in its manufacturing facility in Reno, Italy. PMI's business continuity plan involves a temporary shift of production from our manufacturing facility in Reno, to an alternative approved facility in Europe which is already manufacturing the same products.

As PMI's manufacturing operations in Reno are relatively small (these represent around 1% of the total PMI Heated tobacco units (HTU) production), this operational shift could be accomplished in a very short period of time (less than two months), which would prevent substantive financial impacts in the event of business interruptions materializing. PMI's alternative location has been assessed in terms of water risks and is not expected to be impacted by drought, water stress, floods or any other water related disruptions in the long term, as per the results of PMI's risk assessment process using the WRI Aqueduct and IPCC Climate Change Projections. PMI's current plant considers a reallocation of production of up to one year, however it could assess shifting operations permanently if results from future water risks assessments require a different response.

Besides our approach to optimize water consumption in our factory, we have safety

margins and safety stocks to ensure that any potential negative impact from the identified risks could be adequately compensated through the course of our business-as-usual operations, preventing potential out of stock situations. Such safety stock is calculated based on historic supply and demand, as well as the evaluated risk exposure in a particular market.

### **Cost of response**

500,000

### **Explanation of cost of response**

The cost of response (\$ 500,000) is estimated based on the expected increases in production costs (\$/ volume of production) associated to shifting production to PMI's alternative approved facility in Europe, for an estimated period of one year. The expected increases would be linked to higher operational costs of the alternative facility, mainly due to higher labour costs.

## **W4.2a**

**(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

### **Country/Area & River basin**

Indonesia

Other, please specify

Citarum River Basin & Brantas River Basin

### **Stage of value chain**

Supply chain

### **Type of risk & Primary risk driver**

Acute physical

Other, please specify

Drought

### **Primary potential impact**

Supply chain disruption

### **Company-specific description**

Physical climate change risks could adversely impact quality and yield of the crops we use, such as tobacco leaf and cloves. Indonesia tobacco leaf suppliers are exposed to physical climate change risks (drought and flooding being most critical). Tobacco growing is strongly influenced by climate change such as changes in temperature and precipitation. Specifically, in the markets where we source from located in the tropics and subtropics that are more vulnerable to climate change, precipitation pattern shifts (too much/ too little rain) could impact PMI's sourcing strategy due to crop losses, quality degradation and disrupted supply chains.

Clove is an essential raw material for PMI to use in our local kretek brands. Indonesia produces over 70% of the world's cloves and PMI purchases 100% of clove supplies from Indonesian farms (PMI purchases on average 25% of total Indonesian clove production), making it a substantial market. Clove production is 100% rainfed, making it highly reliant on well distributed rainfall during the growing season. Clove yields fluctuate historically, with harvests varying up to 60% over a 4-year cycle and climate change might increase these fluctuations if dry seasons are prolonged or rain events become more extreme. These fluctuations can cause yield volatility, resulting in crop losses/ decreased yields for suppliers and farmers. Without mitigation measures in place, these fluctuations in availability could threaten PMI's largest clove source, impactful also because PMI is one of the largest kretek cigarettes producer in Indonesia.

To help mitigate potential impacts of El Niño/ La Niña events or other climatic extremes, the duration of PMI's stock is extended over a number of years to prepare for any variations in yields. In the past, these weather shifts have typically only impacted 1 season of clove production, making stocks sufficient but the magnitude and unpredictability of climate change events can now affect more than 1 crop year in a row. Market price dynamics are very reactive to clove production fluctuations when impacted by El Niño and La Niña events, making planning extremely difficult for suppliers and farmers that become more linked to speculative approaches, thus keeping more than one year of stock becomes a critical action for PMI.

We estimated the relative magnitude of potential financial impacts from droughts in Indonesia to be between \$4.8-17.7 million per year.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**
**Potential financial impact figure - minimum (currency)**

4,800,000

**Potential financial impact figure - maximum (currency)**

17,700,000

**Explanation of financial impact**

The potential financial impact range is based on a long-term assessment of costs from physical climate change risks related to drought for the specific case of Indonesia. The lower range derives from our comprehensive climate change risk assessment tool combined with the threshold defined for the substantive financial impact, resulting in an 8% estimate (applied either to the sourced volume or spend). The upper range reflects an estimation of 28% based on our modelling projection, that feeds our climate change risk assessment tool (CCRA based on the on the Representative Concentration Pathways RCP2.6, RCP 4.5 and RCP8.5), of the expected impact due to climate change (worst case scenario) for this country. We estimated the relative magnitude between \$4.8-17.7 million per year while we foresee this risk in the short to long-term (>6 years) for the Indonesian growers due to supply chain disruptions arising from drought and flood events during the growing season and combining estimated costs due to disruption from crop losses (based on the cost of production, considering potential production fluctuations), quality impacts, and supply chain restrictions (a critical event, for example, can inhibit farmers from accessing their crops during an event). The range that we have calculated is based on the number of days in which activities could not be performed at farm level, therefore constituting a delay/ loss in production.

### **Primary response to risk**

Supplier engagement

Promote the adoption of sustainable irrigation practices among suppliers

### **Description of response**

As part of our tobacco procurement strategy, we require all tobacco suppliers to follow our Good Agricultural Practices, which provide measures to mitigate water-related risks through the adoption of climate smart agriculture practices. We implement globally our Local Risk Assessment (LRA) methodology utilizing granular local data to highlight water-related risks and engaging local stakeholders including tobacco suppliers. PMI utilizes the LRA results to implement initiatives with farmers to improve agricultural resiliency to flooding and drought such as the case in Indonesia where the results of the LRA have led to continued planning and implementation of interventions in 2022. Focus trial projects to mitigate the effects of drought impacts on cultivated crops were deployed in clove and tobacco growing areas. In particular, drip irrigation systems have been tested with farmers in clove production to increase resiliency, reduce dependency on rainfall and avoid productivity losses.

The results of our actions and initiatives include the physiology of our crop which has been better understood and the water relationship including stress thresholds and optimal water uptake have been systematically tested and more efficient irrigation protocols, for more consistent productivity, derived. Another example is the improved water access through the drilling of deep wells for tobacco growing to ensure the continuous availability of water for crop irrigation and human consumption, to avoid potentially negative impacts linked to changing weather patterns, supported by a thorough investigation of the deep well's impact on the groundwater level. The results of the deep well have been positive in the provision of clean, drinkable water for the local communities as well as improved water for irrigation with a more reliable supply during dry spells.

The expected timeframe of completion of this response is 2025, following our updated sustainability roadmap which includes PMI's targets to optimize water usage across our supply chain. This timeframe is revised annually as part of our risk assessment process, and adjusted to reflect any changes arising from additional water interventions that are needed to mitigate these risks. In order to ensure business continuity, PMI has substantial inventories of tobacco leaf and clove which can help mitigate short to medium term impacts (up to 5 years).

### **Cost of response**

80,000

### **Explanation of cost of response**

As part of our tobacco procurement strategy, we require all tobacco and clove suppliers to follow our Good Agricultural Practices (GAP), which provide water related risks mitigation through the adoption of climate smart agriculture practices. We implement globally our Local Risk Assessment (LRA) methodology utilizing granular local data to highlight water-related risks and engaging local stakeholders including tobacco suppliers. PMI utilizes the LRA results to work with farmers to improve agricultural resiliency to flooding and drought like in Indonesia where the results of our LRA led to planning and implementation of interventions in 2022 and that will continue in the next years. Focus trial projects to mitigate the effects of drought impacts on cultivated crops were deployed in clove and tobacco growing areas. Drip irrigation systems have been tested with farmers in clove production to increase resiliency, reduce dependency on rainfall and avoid productivity losses.

The cost of response is based on a \$80,000 budget allocated in 2022 to environmental projects (related to climate change, water security, waste and biodiversity) under the GAP program implementation in Indonesia. The engagement with tobacco and clove suppliers in crop management practices in Indonesia is included in the cost of response. The expenditures represent approx. 1.0% of the 2022 global GAP budget. Similar investment is expected over the next 10 years considering projected climate change and the potential scale-up of current projects.

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### **Country/Area & River basin**

Brazil  
Rio Prado

### **Stage of value chain**

Supply chain

### **Type of risk & Primary risk driver**

Acute physical  
Other, please specify  
Heavy precipitation (rain, hail, snow/ice), and Flood (coastal, fluvial, pluvial, groundwater)

**Primary potential impact**

Supply chain disruption

**Company-specific description**

In the short- to long-term most of PMIs sourcing regions face risks due to physical climate change events, such as cyclones, floods and others, potentially affecting our tobacco suppliers' capability to deliver on contracted volumes globally, e.g., in Brazil, which is among PMI's top 15 tobacco origins. Changes in precipitation patterns and extreme variability in weather patterns could affect the yield, quality and availability of the tobacco crops, triggering a substantive risk in case the potential financial impact is above our threshold (1000 metric tons of tobacco leaves), resulting in sourcing plans modification and increasing operational costs. A substantive impact in Brazil could have the potential to delay deliveries of tobacco significantly affecting the production cycle all the way to the product.

The extreme weather events in Brazil are usually linked to El Niño/La Niña cycles that can be detrimental for agriculture and especially tobacco crop. In 2021 during La Niña year, hailstorms, droughts and other climate related events in Brazil impacted tobacco farmers, causing important crop losses; about 20,000 ha of production in the Southern regions were impacted due to extreme weather events, mainly hail and drought. In 2022, the impacts were lower than in 2021, with only 7,900 ha affected.

In the years when La Niña cycle is active, risks faced by tobacco farmers are significantly higher. The volume losses experienced by tobacco farmers during 2021 and 2022 La Niña cycle were volumes already contracted by PMI. To address the recurrent La Niña cycles, contingency plans with our suppliers to fulfil our volume requirements should be activated. The volumes have to be booked in short time windows thus reducing the power of negotiation that is typical of pre-booked volumes and potentially impacting the price above the substantive impact threshold of \$5 million. Extreme rainfall in the fields may require pumping of excess water; while extreme droughts could require long-term irrigation, both of which would increase tobacco production costs above our substantive financial impact threshold. Changes in precipitation patterns could also affect local logistics, with extreme precipitation events potentially leading to inaccessibility of road networks, disrupting the delivery of tobacco.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium

**Likelihood**

More likely than not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

6,600,000

**Potential financial impact figure - maximum (currency)**

26,700,000

**Explanation of financial impact**

The potential financial impact range is based on a long-term assessment of costs from physical climate change risks related to extreme weather events in our tobacco origins in Brazil in a given year. The range of potential financial impact is derived from previous years' data on crop losses due to extreme weather events, which could lead to increase tobacco production costs as PMI has to look for alternative volumes to be purchased in a short time window, combined with our comprehensive climate change risk assessment tool. Setting the basis as PMI threshold for substantive financial impact (1,000 metric tons of tobacco leaves) for the specific case of Brazil, the lower range results in an estimate 3% (of the sourced volume or spend). The upper range reflects an estimation of 10% (of the sourced volume or spend) based on historical crop loss data (actual impacts reported) and our modelling projection. We estimated the relative magnitude in a range of around \$6.6 – \$26.7 million per year while we foresee this risk in the short to long-term (>6 years) for the Brazilian growers due to supply chain disruptions arising from extreme weather events such as excessive rain fall, hail, and drought, and combining estimated costs due to disruption from crop losses, quality impacts and supply chain restrictions. The costs' estimation takes into account the above factors, however, due to their inter-correlation, our modelling provides a bottom and top range.

**Primary response to risk**

Supplier engagement

Other, please specify

Promote greater due diligence among suppliers and Increase supplier reporting on water

**Description of response**

PMI's operations and supply chain are globally spread mitigating the effects of severe climatic disruption, and business continuity management plans are designed to mitigate the consequence of supply chain interruption and disruption. We have a thorough risk management process to inform our long-term business planning through different assessments (e.g. water-related risk assessments and Good Agricultural Practices program (GAP) assessments including soil health assessment). The results of these assessments support business decisions, for example internal investments in soil conservation practices among suppliers managed through dedicated trainings and technical support at farm level. Furthermore, PMI collaborates with its suppliers and engages with local communities towards water-related risks mitigation and resiliency.

In 2022, we completed a local water risk assessment in Brazil. During this year, we also continued to expand on our water conservation projects in Brazil, including the issuance of the first Brazilian Green Rural Product Note (known locally as "Green CPR") in the tobacco sector. Our local affiliate, PM Brazil, provides payment to our contracted tobacco farmers when they are able to demonstrate adoption of sustainable practices to

preserve forests or strengthen ecosystem resilience against water cycle fluctuations.

The expected timeframe of completion of this response is 2025, following our updated sustainability roadmap which includes PMI's targets to optimize water usage across our supply chain. This timeframe is revised annually as part of our risk assessment process and adjusted to reflect any changes arising from additional water interventions that are needed to mitigate these risks.

### **Cost of response**

382,000

### **Explanation of cost of response**

The cost of response is based on the set yearly budget allocated in 2022 to environmental projects under the Good Agricultural Practices (GAP) program implementation in Brazil. GAP program is PMI's main initiative to tackle physical climate risks within the company's tobacco supply chain, as identified through our Strategic Enterprise Risks and Company's Integrated Risk Assessment processes. GAP program provides suppliers with a set of climate-smart agriculture practices, action plans and monitoring tools to promote a supply chain that is more resilient to impacts from climate change such as hail, drought, and floods.

Under GAP program, projects have been implemented around PMI's manufacturing facility in Santa Cruz do Sul with the objective of increasing the resilience of natural ecosystems to enhance the livelihood of tobacco farmers. Around 21,337 contracted farmers supply tobacco to PMI (directly or via third-party suppliers) within the region. The focus of GAP initiatives has been to protect water sources, promote tobacco farming practices that enhance landscape conservation, and to train farmers on data collection and monitoring at the farm level. In Brazil around 412 field technicians work year-round with the contracted farmers and suppliers of tobacco to PMI, visiting the farms on average five times during the crop season to monitor projects implementation. This response is already underway and has a timeframe of implementation of 2025 and 2030 in line with our environmental targets and objectives.

In 2022, the cost of these initiatives was around \$382,000 approx. 75% allocated to cost of on farm water management and water stewardship activities (e.g. spring protection projects) at landscape level, together with the roll out of a specific "on farm and next to the farm" biodiversity conservation program. The remainder 25% of the expenditure is coming from the implementation of forest protection, renewable fuels and good agricultural practices programs that include training, stakeholder engagement and verification of the results reported. PMI's investment in these initiatives is included in the cost of response and represented approx. 5% of the global 2022 GAP expenditure in environmental projects, similar yearly expenditure is expected over the next 10 years to further support mitigating short to medium term impacts.

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### **Country/Area & River basin**

Philippines

Other, please specify

Amburayan River Basin & Laoag River Basin

### Stage of value chain

Supply chain

### Type of risk & Primary risk driver

Acute physical

Other, please specify

Drought, flooding and cyclones

### Primary potential impact

Supply chain disruption

### Company-specific description

Based on GermanWatch's annual Climate Risk Index (2021), the Philippines is in the top 5 countries (4th) most affected by climate change impacts (including cyclones and flooding) resulting in an average loss of \$3.2 billion in purchasing power parity to the country from 1999 - 2019. The supplies of tobacco leaf in Philippines (one of PMI's top 15 tobacco sourcing countries), coupled with negative impacts on tobacco crop quality, and supply chain manufacturing restrictions due to increased severity and frequency of extreme weather events could impact PMI's production and tobacco sourcing strategy, leading to increase in direct costs for PMI, suppliers and farmers. Tobacco leaf growing can be strongly affected by small changes in physical climate conditions such as changes in temperature and precipitation. Yield, quality and availability of tobacco crops could be negatively impacted by changes in precipitation and periods of drought, which have increased in frequency in recent years. This could affect PMI's access to tobacco supplies, impacting crop buying patterns and operational costs, affecting PMI manufacturing operations and business directly. We consider a range for the increase in our operational cost between 16 and 32% given by our modelling and estimation of medium-long term impact of adverse extreme climate events on our supply chain in the Philippines. In case of significant damage to the crop we would be forced to look for alternative sourcing areas within the country in a short time, significantly impacting our power of negotiation. This would also cause additional efforts in defining supply chain logistics and approaches, thus driving up the total cost of tobacco sourcing and unfavorably impacting the market budget for Philippines.

### Timeframe

More than 6 years

### Magnitude of potential impact

Medium

### Likelihood

Likely

### Are you able to provide a potential financial impact figure?

Yes, an estimated range

### Potential financial impact figure (currency)

**Potential financial impact figure - minimum (currency)**

2,800,000

**Potential financial impact figure - maximum (currency)**

5,700,000

**Explanation of financial impact**

The potential financial impact range is based on a long-term assessment of costs from physical climate change risks related to drought, flooding and cyclones for the specific case of the Philippines. The lower range derives from our comprehensive climate change risk assessment tool combined with the threshold defined for the substantive financial impact, resulting in a 16% estimate (applied either to the sourced volume or spend). The upper range reflects an estimation of 32% based on our modelling projection of the expected change for this country with climate change (worst case scenario). We estimated the relative magnitude between \$2.8-5.7 million per year while we foresee this risk in the medium term (6 - 10 years) for the Filipino growers due to supply chain disruptions arising from physical risks such as drought, flooding and cyclones, and combining estimated costs due to disruption from crop losses, quality impacts and supply chain restrictions.

**Primary response to risk**

Supplier engagement

Promote the adoption of sustainable irrigation practices among suppliers

**Description of response**

As part of PMI's strategy in the procurement of tobacco, we require all tobacco suppliers to follow our Good Agricultural Practices, which provide measures to mitigate water related risks, through the adoption of climate smart agriculture practices. We implement globally our Local Risk Assessment (LRA) methodology utilizing granular local data to highlight water-related risks and engaging local stakeholders including local Leaf suppliers. PMI utilizes the LRA results to implement initiatives with farmers to improve agricultural resiliency to flooding and drought such as the case in the Philippines, where the results of the LRA performed in 2021 will lead to the planning and implementation of interventions in 2022. An example of interventions carried out through previous LRAs in the Philippines is the irrigation viability project, which prevents negative impacts from water discharges after irrigation during the growing stage of tobacco cultivation. This project addresses water availability and quality at local level, mitigating potential negative impacts due to drought, flood and cyclones. Another example is the identification of moderate risks of flooding and seasonal variability in the local risk assessment, which has resulted in interventions focused on mulching and cover crops and also training farmers to be proactive in adapting to the annual variability by utilizing weather forecast data. In order to ensure business continuity, PMI has substantial inventories of tobacco leaf which can help mitigate short term impacts.

The expected timeframe for completion of this response is 2025, following our updated sustainability roadmap which includes PMI's targets to optimize water usage across our

supply chain. This timeframe is revised annually as part of our risk assessment process and adjusted to reflect any changes arising from additional water interventions that are needed to mitigate these risks.

### **Cost of response**

16,000

### **Explanation of cost of response**

The cost of response is based on the yearly budget allocated to the Philippines in 2022 for environmental projects (mainly related to climate change, water security and biodiversity) under the Good Agricultural Practices program, accounting for approx. \$16,000 in internal investment. The engagement with tobacco suppliers to drive improvements in crop management and environmental protection practices in the Philippines are included in the cost of response and represented approx. 0.2% of the global expenditure in sustainability projects for tobacco from our 2022 GAP budget. In 2022, we continued to implement projects focused on water source protection, water management practices and landscape conservation practices related to tobacco farming, contributing to increasing the resilience of the local agricultural system, in response to increasing physical risks such as drought, flood and cyclones.

## **W4.3**

### **(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes, we have identified opportunities, and some/all are being realized

## **W4.3a**

### **(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.**

#### **Type of opportunity**

Efficiency

#### **Primary water-related opportunity**

Improved water efficiency in operations

#### **Company-specific description & strategy to realize opportunity**

As PMI is aiming to increase the production of smoke-free consumables, the company sees improved water efficiency as a key contributor to achieving ESG objectives, especially due to the fact that these products initially required approximately 5 times more water per unit of product than conventional combustible cigarettes and water efficiency is a relevant opportunity to reduce this ratio.

Opportunities exist to improve water efficiency in our operations. Improving water efficiency means that less water withdrawal volumes are required for the same production unit volume. A lower water consumption would improve PMI resilience

especially in water stressed locations such as Italy, and Greece, and could generate additional financial benefit, when the payback period of investment costs of water efficiency interventions are covered. As part of the actions taken to realize this opportunity, in 2022 PMI implemented 61 water efficiency projects across its global manufacturing operations. This will help us reducing water withdrawals by 222,172 m<sup>3</sup> per year, as well as saving \$287,000 related to water consumption costs. The overall timescale for the implementation of this opportunity is 1-3 years.

As more production lines will be converted in the future to smoke-free products, the technological and process know-how acquired from the successfully implemented solutions will become an asset for the company and the financial savings will grow with a multiplicative factor. For this reason, PMI is aiming to optimize all new processes by increasing water recycling and defining specific water quality by use. To seize these opportunities, PMI is implementing technologies such as reverse osmosis and EDI, and a series of initiatives to reduce water use. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million cigarettes equivalent (down from 4.7 in 2018). As the new manufacturing process matures, we are incorporating new technologies to recycle and reuse water to limit the increase of water discharge.

A concrete example of these initiatives are those implemented in our factory 'Papastratos' located in Greece to improve water withdrawal ratios and eliminate water needs for irrigation, which are expected to reduce water withdrawals by more than 20,000 m<sup>3</sup> per year.

**Estimated timeframe for realization**

1 to 3 years

**Magnitude of potential financial impact**

Low-medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)****Potential financial impact figure – minimum (currency)**

2,000,000

**Potential financial impact figure – maximum (currency)**

3,000,000

**Explanation of financial impact**

Results from PMI's water footprint assessment carried out by third party consultants indicate that potential financial cumulative savings linked to water efficiency are around \$2-3 million in the next 1 - 3 years. The estimates are calculated through direct financial savings that would be experienced by PMI once investment costs of water efficiency interventions are covered.

In 2022 we started a study, which will provide us with a better understanding of our updated footprint, as well as new opportunities to continue increasing water efficiency. In our sector, the potential financial impact that could result by the direct cost of water has been identified as medium-low.

---

**Type of opportunity**

Resilience

**Primary water-related opportunity**

Increased resilience to impacts of climate change

**Company-specific description & strategy to realize opportunity**

Certifying our manufacturing sites to the Alliance for Water Stewardship (AWS) standard is a critical component of our approach to water management. The AWS standard is a globally applicable framework that enables organizations to understand their water use and impacts and work collaboratively and transparently with external stakeholders in the same catchment area to achieve sustainable management within the wider water context. Through this process, we improve our understanding of water dependencies, and impacts, as well as identify opportunities to increase water efficiency in our operations. Improving water efficiency means that less water withdrawal volumes are required for the same production unit volume. A lower water consumption would improve PMI resilience especially in the locations where we operate which are facing water related issues such as water availability and water quality, and could generate additional financial benefit, when the payback period of investment costs of water efficiency interventions is covered. As part of the actions taken to realize this opportunity, in 2022, PMI implemented 61 water efficiency projects across its global manufacturing operations. This will help us reduce water withdrawals by 222,172 m3 per year, as well as saving \$287,000 related to water consumption costs. The overall timescale for the implementation of this opportunity is 1-3 years.

As more production lines will be converted in the future to smoke-free products, the technological and process know-how acquired from the successfully implemented solutions will become an asset for the company and the financial savings will grow with a multiplicative factor. For this reason, PMI is aiming to optimize all new processes by increasing water recycling and defining specific water quality by use. To seize these opportunities, PMI is implementing technologies such as reverse osmosis and EDI, and a series of initiatives to reduce water use. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million cigarettes equivalent (down from 4.7 in 2018). As the new manufacturing process matures, we are incorporating new technologies to recycle and reuse water to limit the increase of water discharge.

**Estimated timeframe for realization**

1 to 3 years

**Magnitude of potential financial impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)****Potential financial impact figure – minimum (currency)**

1,000,000

**Potential financial impact figure – maximum (currency)**

2,000,000

**Explanation of financial impact**

The cost of AWS certification varies, however based on cost of AWS assessments and certification audits, it could cost approximately \$8,500 per factory. We do see this as a long-term investment that will increase our resilience to water risks due to climate change and it is difficult to determine exactly how much this will save PMI. Based on potential water savings analyzed and projected by our sites as well as potential investments, we estimate this to be around \$1-2 million for all our operations until 2025. In addition, the AWS process of consulting local communities and stakeholders on water issues helps retain our social license to operate which has a high value even though not quantifiable in dollar terms. We use here \$1-2 million as a proxy until we will have an internal specific valuation of those non-monetary opportunities.

**Type of opportunity**

Resilience

**Primary water-related opportunity**

Increased supply chain resilience

**Company-specific description & strategy to realize opportunity**

PMI estimated that over 90% of its water footprint can be linked to its agricultural supply chain, therefore it is there that the biggest margins for reducing and managing risks related to water issues are. With the risk monitoring system in place, both at global and local levels, combined with the annual water related data collection at farm level, we have access to reliable data to support business decisions towards implementing interventions to improve local conditions within the supply chain and increase the resilience of farming communities linked to our operations. A more resilient supply chain, especially in relation to water conditions in the watershed can lead to more continuity in the business, better capabilities in tackling extreme events and conditions, and more efficiency in the usage of resource water for tobacco growing. By increasing supply chain resilience, PMI is expecting to improve farmers' conditions, and to prevent physical climate risks such as droughts, extended heatwaves and others from impacting the production of raw materials. PMI's strategy has focused on establishing GAP as a standard for suppliers and providing technical assistance to partners in the supply chain

to prevent and/or mitigate water risks from materializing. To seize these opportunities, PMI yearly assesses its water risks within its supply chain and shares results with key suppliers.

Since 2018, we have completed 39 local water risk assessments, and we aim to cover all tobacco-growing areas by the end of 2025. PMI's response is already underway, with an expected timeline for completion of 2025. In 2022, we conducted on-the-ground water risk assessments in Brazil, Poland, South Africa, Turkey, and the U.S. PMI uses the results to implement initiatives on irrigation and soil conservation practices with farmers to improve agricultural resiliency to water-related negative impacts such as flood and drought. Collective action with our tobacco suppliers and NGOs includes watershed management, e.g. in Brazil the development of drought and flood tolerant seed varieties, as well as access to water, sanitation, and hygiene (WASH) services for farmers and workers in Malawi, Mozambique, and Argentina. By increasing supply chain resilience, PMI is expecting to improve farmers' conditions, and to prevent physical climate risks such as droughts, extended heatwaves and other water-risks from impacting the production of raw materials, which could impact PMI's business.

**Estimated timeframe for realization**

More than 6 years

**Magnitude of potential financial impact**

Low-medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)****Potential financial impact figure – minimum (currency)**

3,000,000

**Potential financial impact figure – maximum (currency)**

12,500,000

**Explanation of financial impact**

Sustainable water and irrigation management has a positive effect on crop yield and helps minimize uncertainty in supply. PMI estimates potential financial impacts to be between \$3-12.5 million with long-term impacts (>5 years). This estimation is done by using financial information from gains in efficiency and crop productivity generated by the implementation of best in class water management practices, among which drip irrigation and drought resistant seed varieties, to avoid crop losses and improve yield. PMI's previous water related projects in its supply chain, as well as data annually gathered through the GAP program (for example, baselines on water practices as well as potential for development of water projects) are further contributing to informing decisions and raising awareness to deliver better results.

## W5. Facility-level water accounting

### W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

---

**Facility reference number**

Facility 1

**Facility name (optional)**

IT (PM MTB SFP GF)

**Country/Area & River basin**

Italy

Other, please specify

Samoggia and Reno

**Latitude**

44.55151

**Longitude**

11.16038

**Located in area with water stress**

Yes

**Total water withdrawals at this facility (megaliters/year)**

451.6

**Comparison of total withdrawals with previous reporting year**

Much higher

**Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Withdrawals from brackish surface water/seawater**

0

**Withdrawals from groundwater - renewable**

0

**Withdrawals from groundwater - non-renewable**

0

**Withdrawals from produced/entrained water**

0

**Withdrawals from third party sources**

451.6

**Total water discharges at this facility (megaliters/year)**

230.25

**Comparison of total discharges with previous reporting year**

About the same

**Discharges to fresh surface water**

0

**Discharges to brackish surface water/seawater**

0

**Discharges to groundwater**

0

**Discharges to third party destinations**

230.25

**Total water consumption at this facility (megaliters/year)**

221.35

**Comparison of total consumption with previous reporting year**

Much higher

**Please explain**

The water consumption increased from 171.24 megaliters in 2021 to 221.36 megaliters resulting in a 29% increase. This increment in water consumption was related to an increased production of smoke-free products.

---

**Facility reference number**

Facility 2

**Facility name (optional)**

IT (PM MTB SFP ZP)

**Country/Area & River basin**

Italy

Other, please specify

Reno

**Latitude**

44.49783

**Longitude**

11.23614

**Located in area with water stress**

Yes

**Total water withdrawals at this facility (megaliters/year)**

27.06

**Comparison of total withdrawals with previous reporting year**

Much lower

**Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Withdrawals from brackish surface water/seawater**

0

**Withdrawals from groundwater - renewable**

0

**Withdrawals from groundwater - non-renewable**

0

**Withdrawals from produced/entrained water**

0

**Withdrawals from third party sources**

27.06

**Total water discharges at this facility (megaliters/year)**

27.06

**Comparison of total discharges with previous reporting year**

Much lower

**Discharges to fresh surface water**

0

**Discharges to brackish surface water/seawater**

0

**Discharges to groundwater**

0

**Discharges to third party destinations**

27.06

**Total water consumption at this facility (megaliters/year)**

0

**Comparison of total consumption with previous reporting year**

Much lower

**Please explain**

Our facility in Reno is mainly dedicated to R&D purposes, and mostly consumes water for WASH purposes. Water withdrawals decreased from 58.63 megalitres to 27.06 megalitres resulting in a 54% decrease. This decrease was related to an overall reduction in the production volumes in the factory.

---

**Facility reference number**

Facility 3

**Facility name (optional)**

Philip Morris Indonesia Karawang

**Country/Area & River basin**

Indonesia

Other, please specify

Citarum

**Latitude**

-6.35877

**Longitude**

107.28877

**Located in area with water stress**

No

**Total water withdrawals at this facility (megaliters/year)**

128.83

**Comparison of total withdrawals with previous reporting year**

Higher

**Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Withdrawals from brackish surface water/seawater**

0

**Withdrawals from groundwater - renewable**

0

**Withdrawals from groundwater - non-renewable**

0

**Withdrawals from produced/entrained water**

0

**Withdrawals from third party sources**

128.83

**Total water discharges at this facility (megaliters/year)**

77.3

**Comparison of total discharges with previous reporting year**

About the same

**Discharges to fresh surface water**

0

**Discharges to brackish surface water/seawater**

0

**Discharges to groundwater**

0

**Discharges to third party destinations**

77.3

**Total water consumption at this facility (megaliters/year)**

51.53

**Comparison of total consumption with previous reporting year**

Much higher

**Please explain**

The water consumption increased from 42.03 megalitres in 2021 to 52.53 megalitres resulting in a 23% increase.

---

**Facility reference number**

Facility 4

**Facility name (optional)**

Philip Morris Polska

**Country/Area & River basin**

Poland

Wislá

**Latitude**

50.07172

**Longitude**

20.02136

**Located in area with water stress**

No

**Total water withdrawals at this facility (megaliters/year)**

178.31

**Comparison of total withdrawals with previous reporting year**

Higher

**Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Withdrawals from brackish surface water/seawater**

0

**Withdrawals from groundwater - renewable**

0

**Withdrawals from groundwater - non-renewable**

0

**Withdrawals from produced/entrained water**

0

**Withdrawals from third party sources**

178.31

**Total water discharges at this facility (megaliters/year)**

108.87

**Comparison of total discharges with previous reporting year**

Lower

**Discharges to fresh surface water**

0

**Discharges to brackish surface water/seawater**

0

**Discharges to groundwater**

0

**Discharges to third party destinations**

108.87

**Total water consumption at this facility (megaliters/year)**

69.44

**Comparison of total consumption with previous reporting year**

About the same

**Please explain**

The water consumption changed from 70.46 megalitres to 69.44 megalitres resulting in a 1% decrease.

## W5.1a

**(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been third party verified?**

### Water withdrawals – total volumes

---

**% verified**

76-100

**Verification standard used**

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water withdrawals – volume by source

---

**% verified**

76-100

**Verification standard used**

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water withdrawals – quality by standard water quality parameters

---

**% verified**

76-100

**Verification standard used**

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water discharges – total volumes

---

**% verified**

76-100

**Verification standard used**

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water discharges – volume by destination

---

**% verified**

76-100

### Verification standard used

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water discharges – volume by final treatment level

---

#### % verified

76-100

#### Verification standard used

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water discharges – quality by standard water quality parameters

---

#### % verified

76-100

#### Verification standard used

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

### Water consumption – total volume

---

#### % verified

76-100

#### Verification standard used

100% of sites had EHS&S data including this indicator verified by external party (SGS) according to ISO 14064-3, in the frame of the Green House Gas verification 2022.

## W6. Governance

### W6.1

#### (W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

## W6.1a

**(W6.1a) Select the options that best describe the scope and content of your water policy.**

	Scope	Content	Please explain
Row 1	Company-wide	<p>Description of the scope (including value chain stages) covered by the policy</p> <p>Description of business dependency on water</p> <p>Description of business impact on water</p> <p>Commitment to align with international frameworks, standards, and widely-recognized water initiatives</p> <p>Commitment to prevent, minimize, and control pollution</p> <p>Commitment to reduce or phase-out hazardous substances</p> <p>Commitment to reduce water withdrawal and/or consumption volumes in direct operations</p> <p>Commitment to reduce water withdrawal and/or consumption volumes in supply chain</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in local communities</p> <p>Commitment to stakeholder education and capacity building on water security</p> <p>Commitment to water stewardship and/or collective action</p> <p>Commitment to the conservation of freshwater ecosystems</p>	<p>PMI is aware of the importance of water for the company. Water is used in our manufacturing facilities, our agricultural supply chain, and in the production of raw materials and supplies. For this reason, PMI has adopted a company-wide water policy, which effectively integrates all the relevant water dimensions of the business.</p> <p>Our water policy describes the company's business dependency on water, impacts, water-related performance standards for direct operations and suppliers and recognizes the linkages between water and other environmental issues such as climate change and biodiversity conservation. Our water policy is applied at a company-wide level through multiple mechanisms, including the use of international standards, and global targets and goals, further enhanced to reflect our commitments by 2025, described below.</p> <p>PMI uses international standards and widely recognized water initiatives, such as the AWS Standard; we have committed to certify by 2025 all priority manufacturing facilities (those in medium-high water risk areas that are above 2.5% PMI Manufacturing water footprint).</p> <p>PMI has active, time-bound water-related targets and goals to reduce water consumption in our direct operations and supply chain, to prevent, minimize and control pollution, and to optimize water in our tobacco-growing areas. These targets and goals are aligned with the SDGs and go beyond regulatory compliance. For example, SDG 6 is embedded in our Sustainability and Good Agricultural Practices (GAP) programs. Other targets that go beyond regulatory compliance include implementing innovative practices in water usage in agriculture, capacity building for farmers and local communities, acknowledging the human right to water by</p>

	<p>Commitments beyond regulatory compliance</p> <p>Reference to company water-related targets</p> <p>Acknowledgement of the human right to water and sanitation</p> <p>Recognition of environmental linkages, for example, due to climate change</p> <p>Other, please specify</p> <p>Roll-out anti-littering campaigns in cooperation with local stakeholders to reduce the amount of cigarette butts reaching waterways and the oceans.</p>	<p>providing access to water and sanitation (WASH), and taking collective water stewardship action.</p> <p>An example of how our commitments and projects foster innovation and collective action is the implementation of irrigation optimization sensors in Italy, leveraging drip irrigation, liquid fertilizers, and the deployment of a decision support system that uses digital technology to ensure the most efficient crop input amounts in tobacco farms.</p> <p>Our approach also recognizes the linkages between water and other environmental topics such as climate change and biodiversity. An example of this is our action roadmap for suppliers and stakeholders which includes watershed action and the development of tobacco seed varieties that are drought and flood tolerant.</p>
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## W6.2

**(W6.2) Is there board level oversight of water-related issues within your organization?**

Yes

## W6.2a

**(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.**

Position of individual or committee	Responsibilities for water-related issues
Board-level committee	<p>PMI's Board of Directors (BoD) and its Committees, incl. the Nominating and Corporate Governance Committee (NCGC) and Audit Committee of the BoD, are responsible to foster the long-term success of the company including setting broad corporate policies, strategic direction, and overseeing management. As part of their responsibilities, the BoD revises and approves PMI's annual budget based on the company's performance and targets, including those resources required to deploy water optimization initiatives to achieve our water targets in our direct operations and supply chain.</p> <p>In 2021, PMI's BoD and NCGC reviewed the results of PMI's sustainability materiality assessment and consequent update of the company's 2025 sustainability goals, including a goal to explicitly preserve nature and address critical water challenges across PMI's value chain. PMI's Integrated Report 2022</p>

	was completed with the oversight from PMI's BoD and reviewed by its Executive Chairman.
Board-level committee	The Audit Committee of the Board, composed by 6 Board of Director members at the time of the publication of the 2023 Proxy Statement, reviews with management, the internal auditors and the independent auditors, any sustainability-related information to be included in PMI's financial reporting framework. The Committee reviews and oversees PMI's policies and practices with respect to risk assessment and risk management, which covers those related to climate change. These can be natural disasters, water scarcity and agricultural instability, which may lead to increased pressure on natural resources and conflict with other users, affect our direct operations and/or our supply chain, and thus potentially impacting PMI's ability to operate. Such risks could disrupt our supply chain and could increase costs of our materials and operations.

## W6.2b

**(W6.2b) Provide further details on the board's oversight of water-related issues.**

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	<p>Monitoring implementation and performance</p> <p>Monitoring progress towards corporate targets</p> <p>Overseeing acquisitions, mergers, and divestitures</p> <p>Overseeing and guiding public policy engagement</p> <p>Overseeing and guiding scenario analysis</p> <p>Overseeing major capital expenditures</p> <p>Overseeing the setting of corporate targets</p> <p>Overseeing value chain engagement</p>	<p>The Board of Directors (BoD) oversees PMI's full range of activities incl. establishing broad corporate policies, setting strategic direction, and overseeing management. The BoD is responsible for day-to-day operations of the company and considers climate-related issues as part of their oversight process. Part of the BoD's oversight is focused on management's efforts to enhance shareholder value responsibly and sustainably. Environmental, social and governance factors (ESG) are part of the responsibility of the BoD, and considered in the evaluation of the annual performances of the company and its management. The BoD approves the company's annual budget and receives updates on the company's performance and targets against the budget throughout the year incl. those related to the achievement of sustainability and climate change.</p> <p>The BoD has established various standing Committees to assist with the performance of its responsibilities and is regularly informed on future plans, and significant issues affecting the business, incl. climate-related ones. The BoD held 8 regular</p>

		Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation/R&D priorities Setting performance objectives	<p>meetings in 2022. The BoD is advised on climate change-related issues by the Nominating and Corporate Governance Committee of the BoD, which oversees the Company's sustainability strategies and performance. The committee met 5 times in 2022. The BoD oversees management of risks relating to the Company's business. Risk oversight is conducted both by Committees of the BoD as well as by the full BoD. Management has identified and prioritized a number of key enterprise risks and, as part of the risk management process, has established a Corporate Risk Governance Committee ("CRGC") that comprises senior executive officers.</p> <p>The Audit Committee (AC) of the BoD receives updates related to the company's risk management and internal controls practices at least once per quarter. The company's risk management and internal control practices are designed to address all significant and/or emerging strategic, external, inherent process, and project deployment risks that could undermine our ability to achieve strategic business objectives and create value. ESG-related risks and opportunities are considered within our enterprise risk management practices. Key risk areas are identified and prioritized, and ownership is assigned for each prioritized key risk area to a member of the Company Management, reporting regularly to the appropriate BoD committees and to the entire Board of Directors throughout the year. The AC of the BoD was assigned to oversee the management of climate change prioritized risk as it could result in natural disasters, water scarcity, agricultural instability, which may impact PMI's ability to operate; the Committee met 8 times in 2022. A member of the Company Management, the Senior Vice President Operations, was tasked with the responsibility to address the climate change risk, including physical climate and water related risks.</p>
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## W6.2d

**(W6.2d) Does your organization have at least one board member with competence on water-related issues?**

	Board member(s) have competence on water-related issues	Criteria used to assess competence of board member(s) on water-related issues
Row 1	Yes	<p>PMI assesses competence of the Board on sustainability related issues, including water related issues, based on its members' relevant professional experience, academic background or other professional trainings on climate science, environmental science or engineering, sustainability, or other related subjects.</p> <p>Several members of PMI's BoD have expertise in sustainability and ESG matters, including water. Particularly, one of our Board Directors brings unique understanding of ESG strategy, as he has served as CEO to the Global Adaptation Institute (a foundation dedicated to the understanding of climate change) and as Co-Chair to the World Economic Forum's Global Agenda Council on Climate Change. His expertise also includes water related impacts from climate change. Professional biographies for each Board member are disclosed in our annual Proxy Statement available on PMI.com.</p>

## W6.3

**(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

### Name of the position(s) and/or committee(s)

Other C-Suite Officer, please specify  
Senior Vice President, Operations

### Water-related responsibilities of this position

Assessing future trends in water demand  
Assessing water-related risks and opportunities  
Managing water-related risks and opportunities  
Setting water-related corporate targets  
Monitoring progress against water-related corporate targets  
Integrating water-related issues into business strategy  
Managing annual budgets relating to water security

### Frequency of reporting to the board on water-related issues

Quarterly

### Please explain

The Senior Vice President, Operations (SVP Operations) member of the Company Management, is tasked with addressing climate change risk, including physical water risks, and transition risks across all activities of the company, as these could result in natural disasters, water scarcity, and agricultural instability, which may impact PMI's

ability to operate.

Our SVP Operations is delegated with operational responsibility, including maintaining robust business resiliency, risk assessment processes, and strategies to support business continuity; he examines, monitors and reports to the Board, on water related issues ensuring the integration of risk assessment and management into long-range plan, progress against water targets and objectives, budget and performance review processes. Effectively addressing these risks is critical to the achievement of PMI's strategic objectives and therefore is considered during the annual Integrated Risk Assessment process.

**Name of the position(s) and/or committee(s)**

Other C-Suite Officer, please specify  
Sustainability Committee

**Water-related responsibilities of this position**

Other, please specify  
Overseeing PMI's sustainability work

**Frequency of reporting to the board on water-related issues**

Annually

**Please explain**

The Sustainability Committee composed of the company's CEO, CFO, Senior VP Operations, and other members of the Company Management (CM) – meets quarterly to review and validate PMI strategy, commitments, goals, and annual reporting. PMI's sustainability strategy is shaped by a formal sustainability materiality assessment, the most recent being conducted in 2021, re-prioritizing the most relevant sustainability topics for PMI. To help manage these topics from a global and sustainability perspective, within our CM, members are responsible for driving progress and delivering on our sustainability targets within their respective functions (e.g. climate change and mitigate related risk, including physical water risks, across all activities of the company, is assigned SVP Operations, as it could result in natural disasters, water scarcity, and agricultural instability, which may impact PMI's ability to operate).

**Name of the position(s) and/or committee(s)**

Chief Sustainability Officer (CSO)

**Water-related responsibilities of this position**

Other, please specify  
Leading the integration of sustainability, including environmental topics, across PMI.

**Frequency of reporting to the board on water-related issues**

Annually

**Please explain**

PMI's CSO reports to our CFO and leads the strategy of integration of sustainability, including climate-related issues, across our business, and aiming to actively reduce unfavourable impacts of our business on the environment and water resources, as well as to increase resilience of our business toward water resources in terms of quality and availability. PMI's CSO heads and manages PMI's Corporate Sustainability Team, reports on progress to the Sustainability Committee on a quarterly basis and updates the Board of Directors at least once a year.

From an operational perspective, our Operations Sustainability and Corporate Sustainability functions coordinate the company's climate change-related activities, including the water resources-related ones. This helps ensure that our global strategies and programs are monitored, assessed and can be implemented at the market level and that local realities are reflected in our global efforts.

## W6.4

**(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?**

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	PMI developed a 2025 sustainability roadmap comprising 11 headline goals running to the end of 2025, including the preservation of nature through the promotion of biodiversity and addressing critical water challenges in our direct operations and supply chain. Progress on our roadmap is measured with a set of indicators that collectively form our Sustainability Index. PMI's Sustainability index links ESG performance transparently and objectively to executive compensation. As with our roadmap, we have split the 19 KPIs according to two drivers: "Product Sustainability" (11 KPIs) and "Operational Sustainability" (8 KPIs).

## W6.4a

**(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive	Performance indicator	Contribution of incentives to the achievement of your organization's water commitments	Please explain
Monetary reward	Corporate executive team Chief Sustainability Officer (CSO)	Reduction of water withdrawals – direct operations Reduction of water withdrawal and/or	PMI's Sustainability index (SI) links ESG performance transparently and objectively to executive compensation. For a full list of individuals	PMI developed a 2025 sustainability roadmap comprising 11 headline goals running to the end of 2025, including the preservation of nature

	<p>Other C-suite Officer</p> <p>Senior Vice President Operations</p>	<p>consumption volumes – supply chain</p> <p>Improvements in water efficiency – direct operations</p> <p>Improvements in water efficiency – supply chain</p> <p>Company performance against a sustainability index with water-related factors (e.g., DJSI, CDP Water Security score, etc.)</p>	<p>comprising the corporate executive team, please refer to Item 10 of the Annual Report on Form 10-K for the year ended December 31, 2022.</p> <p>As with our roadmap, we have split the 19 KPIs according to two drivers: “Product Sustainability” (11 KPIs) and “Operational Sustainability” (8 KPIs). PMI assesses and awards a score to each KPI on an annual basis based on the company’s performance and calculates the extent to which the SI was fulfilled on a scale of 0 to 150 percent, with a target of 90 to 110 percent every year. The weighting applied to each KPI is informed by the results of our sustainability materiality assessment. As set out in PMI’s Proxy Statement 2022, for the 2022-2024 PSUs, the SI is one out of three performance metric, and weights 30% of the total executive compensation.</p> <p>In addition to the SI, our CSO and SVP, and other members of PMI’s Corporate Executive team have individual water related objectives that contribute to their annual bonuses. An example of such objectives includes the timely issuance and</p>	<p>through the promotion of biodiversity, and addressing critical water challenges in our direct operations and supply chain. Progress on our roadmap is measured with a set of indicators that collectively form our Sustainability Index.</p>
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			recognition of sustainability disclosures, including CDP Water Security, as well as the accomplishment of other water related targets in our direct operations and supply chain.	
Non-monetary reward	Other, please specify  Sustainability Managers, Employees	<p>Reduction of water withdrawals – direct operations</p> <p>Reduction in water consumption volumes – direct operations</p> <p>Improvements in water efficiency – direct operations</p> <p>Improvements in water efficiency – supply chain</p> <p>Increased access to workplace WASH – direct operations</p> <p>Increased access to workplace WASH – supply chain</p> <p>Implementation of employee awareness campaign or training program on water-related issues</p> <p>Implementation of water-related community project</p> <p>Supply chain engagement</p>	<p>Behavior change related indicator. Every year, a number of PMI affiliates runs certain voluntary awareness and promotion campaigns and internal programs aimed to increase employees' active participation in sustainability and EHS programs and to make water stewardship part of the company's culture. Awards and recognition for best practices form a core element of such campaigns for water efficiency and reduction project; Operations employees also have the opportunity to earn awards for best practice initiatives in the areas of water consumption reduction and water efficiency. This forms part of our Above and Beyond Call of Duty (ABCD) award program which encourages innovation, continuous improvement and employee engagement. Reduction of water intensity, efficiency projects and targets, and increasing access to workplace WASH were selected as</p>	<p>We have a long-standing approach to driving water stewardship in our direct operations, especially in our manufacturing sites. We seek to promote water circularity in our factories, increasing water use efficiency and maximizing the beneficial use of water discharged.</p>

			indicators of success as they are aligned with the company's vision, and they allow PMI to objectively quantify the progress of the company in the field of water and sustainability.	
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## W6.5

**(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?**

Yes, trade associations

Yes, other

## W6.5a

**(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?**

PMI operates within an overarching Code of Conduct (CoC), and a set of Principles and Practices which set the rules and processes that need to be followed when engaging third parties. Together, these regulate engagement activities such as external communications, public statements, making contributions or providing financial support, and other relevant activities involving government officials, public organizations and other third parties. PMI has a publicly available 'Overview of engagement principles' which describes the basic tents of the CoC and our key principles and practices, and highlights PMI's key priorities when interacting with these stakeholders, including ensuring that the positions PMI publicly advocates, and the arguments supporting such positions are consistent with internal positions and do not overlook any information that PMI may internally have that might be material to our audience. PMI has an internal Compliance Department and help-line available to employees wanting to report suspected violations of our Code of Conduct or Principles & Practices. Reports can be made anonymously.

We routinely evaluate our participation to ensure the objectives of the external parties we engage with align with our long-term interests, and that their activities continue to comply with our CoC and policies. If inconsistencies or disagreement with certain positions adopted by organizations are found, PMI may withdraw its participation or support.

## W6.6

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

Yes (you may attach the report - this is optional)

 2022 PMI Files Form 10-K.pdf.pdf

## W7. Business strategy

### W7.1

**(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	16-20	PMI's long-term business objective is to deliver a smoke-free future, by replacing cigarettes with smoke-free alternatives. In our transformation journey we focus our effort on a forward-looking corporate sustainability strategy with SFPs at its core, while integrating other material social and environmental topics such as water stewardship. Water issues are integrated in our long-term business objectives, mainly through the identification and management of water risks such as droughts, floods and cyclones, and water efficiency and resilience opportunities which can directly impact PMI's operations. We have also set water efficiency targets in manufacturing, optimization targets in our supply chain which were linked to executive compensation in 2022. Our Sustainability Team reviews annually the long-term business goals and their connection with water and other environmental risks and opportunities, which determine future management actions. Since the physical risks of climate change which include disruptions to water availability and security, might significantly impact our business and supply chains, we conducted climate risks assessments considering 2030 and 2040 scenarios since that is when we start seeing climate trends shift. This time horizon was selected as it is also aligned with our risk planning and climate change Science Base Targets, allowing us to implement actionable goals with tangible long-term effects that impact our business (16-20 years vs. 50 years).
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	16-20	Driving world-class sustainability programs to build a resilient value chain and answer our stakeholders' concerns is one of our core strategies to deliver a smoke-free future. Our materiality assessment is the backbone of our sustainability strategy development;

			<p>water stewardship is part of our material environment topics and is integrated in our long-term objectives. Our strategy is aligned with our annual Long Range Planning process and includes water issues such as water efficiency in manufacturing and water use in agriculture to increase resiliency of our business. Examples are the development of water targets and projects in our tobacco supply chain; the AWS certification of all our priority manufacturing facilities by 2025 and investment in technologies to reduce, reuse and recycle water in manufacturing. Since 2018, the Nominating and Corporate Governance Committee of the BoD has been formally mandated to oversee Company's sustainability strategies and objectives, include water related issues, as this is important for our company's long-term success. With the ongoing challenge of water security, we find it important to look further into the future by conducting climate risks assessments with time horizons of 2030 and 2040 for two reasons, 1) it is when we start seeing climate trends shift, 2) it is aligned with our risk planning and climate change goals, enabling us to set actionable goals with tangible long-term effects for our business (16-20 years vs. 50 years).</p>
Financial planning	Yes, water-related issues are integrated	16-20	<p>As PMI is working towards achieving its sustainability goals, OPEX and CAPEX for water related issues are included in our financial planning; e.g. PMI has planned financial resources to 1) implement technologies in manufacturing to minimize the use of water; 2) implement its long term GAP program in its tobacco supply chain to achieve sustainable tobacco production, incl. activities with tobacco suppliers to address water related risks, among others. These activities focus on improvement of crop management practices, incl. investment in more sustainable irrigation practices, water and soil conservation plans, and development of drought and flood tolerant varieties. 3) Conduct water risk assessment, for which PMI annually allocates a budget, and the results are used to inform the company's business and sourcing strategies in the mid and long term to prevent risks of supply disruption and/or potential increase in procurement cost. PMI's risk assessment looks out to 2030 and 2040 as this is when the majority of risks are expected to materialize in the absence of successful mitigation measures. The indicated time horizon was selected as it is aligned with</p>

			our risk planning and climate change goals, allowing us to set actionable goals with tangible long-term effects for our business.
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## W7.2

**(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?**

### Row 1

#### Water-related CAPEX (+/- % change)

-11

#### Anticipated forward trend for CAPEX (+/- % change)

47

#### Water-related OPEX (+/- % change)

-1

#### Anticipated forward trend for OPEX (+/- % change)

-5

#### Please explain

CAPEX: In 2022 PMI invested in multiple initiatives to reduce, reuse, and recycle water across 5 facilities, with some of the key initiatives taking place in our facilities in Italy, Germany, and Poland. As we largely focused our investment on the prioritization of water savings through process optimization and water reutilization, investment in initiatives that would come with higher expenditure was limited, causing our CAPEX to decrease by 11% compared to 2021. We currently expect this trend to be reverted, with an anticipated forward trend of 47%.

OPEX: We had a net 1% decrease in our OPEX during 2022 driven by water efficiency interventions. Particularly, our manufacturing facilities in Italy, Senegal, and Indonesia managed to reduce their water expenses through the implementation of water efficiency interventions, which overall reduced their water withdrawals. We expect this trend to continue, with anticipated forward reductions of up to 5%.

## W7.3

**(W7.3) Does your organization use scenario analysis to inform its business strategy?**

	Use of scenario analysis	Comment
Row 1	Yes	We conducted a Climate Change Risk and Opportunity Assessment (CCROA) in 2022 to inform our TCFD report and include key-findings into the company's risk

		management framework. The CCROA identified and classified a range of physical and transition risks and opportunities across our value chain to 2030 and 2040. Acute and chronic physical risks have been estimated under climate scenarios based on the Representative Concentration Pathways RCP2.6, RCP 4.5 and RCP8.5. Climate data are assessed to analyze the impact on around 600 PMI assets (such as factories, warehoused and tobacco growing areas) and areas of interest at specific global warming levels with scenarios in line with the successful achievement of the Paris Agreement's goal (1.5°C and 2.0°C warming compared to preindustrial level), and another scenario shaped on its failure (3°C warming).
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## W7.3a

**(W7.3a) Provide details of the scenario analysis, what water-related outcomes were identified, and how they have influenced your organization's business strategy.**

	Type of scenario analysis used	Parameters, assumptions, analytical choices	Description of possible water-related outcomes	Influence on business strategy
Row 1	Climate-related	Our 2022 Climate Change Risk and Opportunity assessment (CCROA) provides the models and the outputs to estimate water related risks projecting potential acute and chronic physical risks under climate scenarios based on the Representative Concentration Pathways RCP2.6, RCP 4.5 and RCP8.5. We seek alignment with the climate scenario used by Aqueduct and applied to our risk assessments for water. Climate data are used to analyze the impact on around 600 PMI assets (such as factories, warehoused and tobacco growing areas) at specific global warming levels with scenarios in line with the successful achievement of	Based on CCROA outcomes, PMI released in 2023 its first TCFD report summarizing the main climate related risks and opportunities across our value chain until 2040. Results have shown that both our manufacturing facilities and our tobacco supply chain are exposed to incremental chronic and acute physical risks. Our farmers in Latin America and Asia Pacific regions are reporting soaring crop yield losses due to heavy rains and floods that are expected to intensify in future scenarios. Increased water scarcity is expected to intensify competition for water resources, particularly in those areas already under water	PMI's strategic and operational response to the water-related outcomes from our CCROA is focused on increasing water efficiency, minimizing impacts to water quality, and optimizing water usage at the watershed level by becoming better water stewards and engaging local stakeholders. This is incorporated to our business strategy through water targets for our operations and supply chain by 2025 and 2030. In our direct operations, several factories such as Italy and Poland are implementing water saving interventions to reduce their water intensity, anticipating potential shortages in water availability. The expected

	<p>the Paris Agreement's goal (1.5°C and 2.0°C warming compared to preindustrial level), and another scenario shaped on its failure (3°C warming). Climate variables and extremes were simulated by using multiple outputs from 30 different climate models participating in the Climate Model Intercomparison Project (CMIP5) for the time window 2010–2040. These variables were used to assess the exposure of each site to climate hazards including drought, heatwave, and flooding. By comparing against baseline conditions (1980–2010), we estimated the change in frequency and intensity (moderate, severe, extreme) of climate-related physical hazards for each location. For example, the standardized precipitation and evaporation index (SPEI) has been used to estimate trends in water stress and droughts, whilst flood instances has been classified as moderate, severe and extreme according to their return period- (5, 10 and 100 years). Climate-related risks have been calculated by using the IPCC definition that brings together hazards, assets exposure and vulnerability through a spatially explicit approach. Our scenario</p>	<p>stress; this is the case for our TGA in the Firat-Dicle Basin in Turkey. Based on CCROA results, cumulative potential global losses due to extreme flood events in our tobacco supply chain ranges from \$68 million to \$162 million depending on the time horizon and climate scenario additional mitigation actions.</p> <p>In our direct operations, water scarcity could lead to increasing factory downtime and business interruption costs in drought-prone areas, such as our factories in Greece and Mexico. Based on CCROA results, cumulative potential losses due to extreme flood events in our manufacturing operations ranges from \$24 million to \$138 million depending on the time horizon and climate scenario additional mitigation actions.</p>	<p>full implementation, including the evaluation of pilot projects, and certification of priority manufacturing facilities to the AWS standard is forecasted by 2025. In our supply chain, our response has been focused on supporting and investing in practices that enable tobacco crop to be resilient to changing water scenarios.</p> <p>For example, we have invested to support farmers in drought-prone areas of Brazil, the Philippines, and Indonesia with more efficient technologies, minimizing tillage operations to conserve soil moisture and increase infiltration. Our target of performing local water risk assessments across all our TGAs by 2025 will also allow us to continue identifying additional risks and tailored opportunities in our tobacco supply chain. This also includes our 2030 target for optimizing at least 10Mio m3 of water with projects at the watershed level in our TGAs.</p>
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		analysis focuses on various metrics including crop loss, business disruption to contextualize risks to our operations in the future.		
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## W7.4

### (W7.4) Does your company use an internal price on water?

#### Row 1

#### Does your company use an internal price on water?

Yes

#### Please explain

In our tobacco supply chain, after reviewing risk, we estimate the cost of potential projects in dollar per cubic meter optimized to determine the most cost-effective project that results in the most volumetric benefit for the watershed. As member of Value Balancing Alliance (VBA) we explore the Triple bottom line accounting concept which focus on the balance between environmental, social, and economic issues. Water is a relevant topic included in the VBA's valuation metrics, and we expect through the participation to this working group to assess the relevance to use an internal price on water. We evaluate performance in a broader perspective to create greater business value using reports and indicators based on different sources such as Global Reporting Initiative (GRI) and S&P Global Corporate Sustainability Assessment.

## W7.5

### (W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Primary reason for not classifying any of your current products and/or services as low water impact	Please explain
Row 1	No, but we plan to address this within the next two years	Other, please specify PMI is working to better understand the water impacts of its portfolio of smoke-free products compared to other in the market. This information might be used to benchmark our products and classify them as low water impact where applicable.	PMI is currently working to better understand the water impacts of its portfolio of smoke-free products compared to other similar devices in the market through a life cycle perspective. This information might be used to benchmark our devices and classify them as low water impact where applicable.

## W8. Targets

### W8.1

(W8.1) Do you have any water-related targets?

Yes

### W8.1a

(W8.1a) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.

	Target set in this category
Water pollution	Yes
Water withdrawals	Yes
Water, Sanitation, and Hygiene (WASH) services	Yes
Other	Yes

### W8.1b

(W8.1b) Provide details of your water-related targets and the progress made.

**Target reference number**

Target 1

**Category of target**

Water withdrawals

**Target coverage**

Company-wide (direct operations only)

**Quantitative metric**

Reduction in withdrawals per unit of production

**Year target was set**

2019

**Base year**

2018

**Base year figure**

4.7

**Target year**

2022

**Target year figure**

3.1

**Reporting year figure**

2.5

**% of target achieved relative to base year**

137.5

**Target status in reporting year**

Achieved

**Please explain**

The production of smoke-free consumables is five times more water-intensive than the manufacturing of cigarettes. While the public health benefits of smoke-free products justify the trade-off of increased water intensity, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2022, we continued to reduce water intensity, achieving a reduction of 47 percent versus 2018 and a ratio of 2.5 cubic meters per million cigarettes equivalent sold (down from 4.7 in 2018).

We continuously work to improve our processes, focusing on applying a zero loss mindset and investing in a variety of projects that aim to optimize our water withdrawals and raise awareness among our employees. PMI will also continue to develop additional water efficiency measures and invest in novel technologies to continue reducing our water footprint.

**Target reference number**

Target 2

**Category of target**

Community engagement

**Target coverage**

Site/facility

**Quantitative metric**

Other, please specify

% of priority manufacturing facilities certified by AWS

**Year target was set**

2018

**Base year**

2018

**Base year figure**

1

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

51

**% of target achieved relative to base year**

50.5050505051

**Target status in reporting year**

Underway

**Please explain**

We joined the Alliance for Water Stewardship (AWS) in 2017, a leading organization dedicated to better managing water within the local watersheds. We successfully piloted the adoption of the AWS Standard in our factory in Brazil and developed a toolbox for wider implementation. In March 2018, our Brazilian factory became the first factory to be certified by AWS in the country. In 2022, our sites in Philippines 'Marikina site', Jordan, Serbia, Netherlands, Argentina 'Merlo site', and Pakistan 'Sahiwal site' completed the certification process, bringing the total number of our factories certified to 18 (51%); as of May 2023, 2 additional factories completed the certification process. As a priority, we plan to certify 100% of our factories by 2025, aligning with our ISO 14001 scope: all factories above 3 million cigarette equivalent annual production volume. We select and prioritize the factories to be certified based, amongst other criteria, on the outcome of our recent water risk assessment.

**Target reference number**

Target 3

**Category of target**

Water pollution

**Target coverage**

Other, please specify

Tobacco supply chain

**Quantitative metric**

Reduction in concentration of pollutants

**Year target was set**

2015

**Base year**

2015

**Base year figure**

22

**Target year**

2023

**Target year figure**

100

**Reporting year figure**

100

**% of target achieved relative to base year**

100

**Target status in reporting year**

Achieved

**Please explain**

Pesticide residues are measured by PMI's Tobacco Lot Integrity program where 100% of its tobacco purchased lots are tested by independent, accredited labs before PMI accepts it. PMI has made important steps towards the elimination of WHO TOX1 and other HHPs since the start year of 2015. Based on this program, PMI assessed that as of 2018, all sourced tobacco lots have been tested as free from quantifiable levels of residues attributable to the use of WHO TOX1 CPAs, and as of 2020 have been free from residues of other HHPs. We maintained this performance during 2022; based on these achievements we have reached 100% of our target, however this will continue to be monitored on an annual basis.

**Target reference number**

Target 4

**Category of target**

Watershed remediation and habitat restoration, ecosystem preservation

**Target coverage**

Company-wide (direct operations only)

**Quantitative metric**

Other, please specify

Cubic meters of water optimized in our tobacco-growing areas

**Year target was set**

2019

**Base year**

2019

**Base year figure**

0

**Target year**

2030

**Target year figure**

10,000,000

**Reporting year figure**

4,940,000

**% of target achieved relative to base year**

49.4

**Target status in reporting year**

Underway

**Please explain**

We have a target in place to optimize at least 10 million cubic meters of water (cumulative since 2019) in our TGAs by 2030 through dedicated projects that address shared water challenges in the watersheds where we operate. In pursuing this aspiration, we aim to mitigate water-related risks and help address shared water challenges. We follow the World Resources Institute's volumetric benefit accounting methodology to measure the progress we are making.

We implement various projects addressing shared water challenges, with a strong emphasis on community-based projects. This includes initiatives in Brazil where, since 2018, we have supported farmer communities to fence and protect areas around streams against biological contamination from cattle and agrochemical runoff to address water quality issues. We also expanded this program by issuing the first Brazilian Green Rural Product Note (known locally as "Green CPR") in the tobacco sector. Our local affiliate, PM Brazil, provides payment to our contracted tobacco farmers when they are able to demonstrate adoption of sustainable practices to preserve forests or strengthen ecosystem resilience against water cycle fluctuations.

To date, we have implemented water stewardship and inclusive workplace Foster an empowered initiatives in Argentina, Brazil, India, Italy, Mozambique, Pakistan, and Turkey. Combined, these efforts contributed to optimizing a total of 4.9 million cubic meters of water in our TGAs since 2019, bringing us well on track to achieve our aspiration to optimize 10 million cubic meters of water by 2030. This is a significant increase compared with 2021, driven mostly by the widespread implementation of volumetric water benefit generation guidelines and the progressive capabilities built in cooperation with our suppliers, increasing the number of farmers involved in such activities.

**Target reference number**

Target 5

**Category of target**

Supplier engagement

**Target coverage**

Suppliers

**Quantitative metric**

Increase in the proportion of suppliers engaged

**Year target was set**

2018

**Base year**

2018

**Base year figure**

0

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

81

**% of target achieved relative to base year**

81

**Target status in reporting year**

Underway

**Please explain**

We routinely assess water-related risks to prioritize our activities. In our tobacco supply chain, we conduct an annual global water risk assessment using tools such as the World Resources Institute's Aqueduct Water Risk mapping. Our 2022 global assessment continued to reveal that most (77 percent) of our TGAs show a "medium to high," "high," or "extremely high" level of exposure to physical risk, representing approximately 79 percent of our 2022 purchased tobacco volumes.

To better understand the water-related risks in our TGAs, we also conduct periodic local water risk assessments (LRAs), leveraging primary data sources and interviews with stakeholders to gauge both external and internal water risks on the ground. In 2022, we completed LRAs in Brazil, Poland, South Africa, Turkey, and the U.S. These assessments highlighted that competing demand for limited water supplies remains a frequently recorded water challenge, together with scarcity of water resources. Other challenges identified include lack of water legislation implementation in South Africa and increased drought risk in Turkey's Gediz Basin. We have conducted a total of 39 LRAs since 2018, covering 81 percent of our TGAs, including multiple watersheds within some of these areas.

**Target reference number**

Target 6

**Category of target**

Water, Sanitation and Hygiene (WASH) services

**Target coverage**

Suppliers

**Quantitative metric**

Increase in the proportion of local population using safely managed drinking water services around our facilities and operations

**Year target was set**

2022

**Base year**

2022

**Base year figure**

75

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

75

**% of target achieved relative to base year**

0

**Target status in reporting year**

New

**Please explain**

There is a well established link between poverty and inadequate access to water, sanitation, and hygiene (WASH). Enhancing WASH infrastructure can substantially improve the well-being and livelihoods of community members. To ensure that all farmers within PMI's footprint have basic drinking water access by 2025, we developed a framework guided by the Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (JMP), established by the World Health Organization (WHO) and UNICEF.

We performed an internal assessment and found that some PMI tobacco sourcing locations in rural areas do not have basic drinking water access. Argentina, Malawi, and Mozambique were identified as our priority markets for drinking water interventions. We have integrated WASH monitoring into our broader ALP monitoring process and have implemented solutions to bring safe drinking water to these locations, including drilling boreholes, protecting springs, and providing continuous household-level solutions.

Since its inception, we estimate that our WASH program in Africa has benefited approximately 250,000 community members. Women and children benefited the most from this initiative, which reduces the amount of time they must spend collecting water supplies. This has had a positive impact on women-led businesses and school attendance. In Argentina, by protecting springs, both farmers and community members have access to water that is less likely to cause runoff contamination. Sustainability of WASH infrastructure is one of the greatest challenges, which we mitigate by working closely with the local community and developing water committees.

## W9. Verification

### W9.1

**(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?**

Yes

### W9.1a

**(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

Disclosure module	Data verified	Verification standard	Please explain
W1 Current state	Water consumption volumes from manufacturing facilities, including water in and water out.	Other, please specify ISO 14064-3	In the frame of the Green House Gas verification, carried out by SGS, we also verified our manufacturing centers water volumes data, both in and out, and this is clearly described in the verification statement issued by SGS.
W8 Targets	Water consumption volumes from manufacturing facilities, including water in and water out.	Other, please specify ISO 14001	In the frame of the 'Continuous improvement' principle from ISO 14001, PMI monitors progress from our manufacturing facilities, which is audited by Bureau Veritas.
W8 Targets	Manufacturing facilities AWS certification.	Alliance for Water Stewardship certification	We have become a member of the Alliance for Water Stewardship to better understand how to conserve the watersheds where we operate, and eighteen factories have been already certified against the AWS Standard by the end of 2022. We have committed to certify by 2025 all priority manufacturing facilities (those in medium-high water risk areas that are above 2.5% PMI Manufacturing water footprint).

W8 Targets	Water consumption volumes from manufacturing facilities, including water in and water out.	Other, please specify ISO 14064-3	In the frame of the Green House Gas verification, carried out by SGS, we also verified our manufacturing centers water volumes data, both in and out, and this is clearly described in the verification statement issued by SGS.
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## W10. Plastics

### W10.1

**(W10.1) Have you mapped where in your value chain plastics are used and/or produced?**

	Plastics mapping	Value chain stage	Please explain
Row 1	Yes	Direct operations Supply chain Product use phase Other, please specify Markets	<p>As a global manufacturer, we source plastic materials and plastic-containing items for products such as the filters in our heated tobacco units and combustible cigarettes, devices, and packaging. Approaches to reducing plastic cut across our product categories. Globally in 2022, we purchased approximately 140,000 tons of plastic. The largest share was bioplastics used in the filters of cigarettes and heated tobacco units.</p> <p>Types of plastics we use:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Acetate Cellulose</li> <li><input type="checkbox"/> PLA</li> <li><input type="checkbox"/> PP, BOPP</li> <li><input type="checkbox"/> PE</li> <li><input type="checkbox"/> PET</li> <li><input type="checkbox"/> Other</li> </ul> <p>The main uses of plastic in our products are:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Filters for Smoke Free Products and Combustible Cigarettes</li> <li><input type="checkbox"/> Wrapping and laminated Films for packaging</li> <li><input type="checkbox"/> Devices</li> </ul> <p>To measure the company plastic footprint, we use the following tools:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Plastic Footprint Calculation</li> <li><input type="checkbox"/> DIM Sustainability Power BI Dashboard</li> </ul>

### W10.2

**(W10.2) Across your value chain, have you assessed the potential environmental and human health impacts of your use and/or production of plastics?**

	Impact assessment	Value chain stage	Please explain
Row 1	Yes	Product use phase	We use life-cycle analysis (LCA), including to assess the carbon footprint of our products, from tobacco sourcing to device end-of-use and end-of-life. This analysis applies to devices, consumables, and packaging. In 2022, we also deployed a standard baseline for devices and consumables to be used by different LCA suppliers, and we requested reports conforming with ISO standards. In line with current market practice, we also sought review of reported data by an independent entity. This will enhance our confidence in LCA data and various indicators moving forward.

## W10.3

**(W10.3) Across your value chain, are you exposed to plastics-related risks with the potential to have a substantive financial or strategic impact on your business? If so, provide details.**

	Risk exposure	Value chain stage	Type of risk	Please explain
Row 1	Yes	Product use phase	Regulatory Reputational	Regulatory developments on Single-Use-Plastics are increasingly adopted by countries across the globe, e.g. the European Single-Use Plastics Directive (Directive (EU) 2019/904). The EU Single-Use Plastics Directive, which will require tobacco manufacturers and importers to cover the costs of public collection systems for tobacco product filters, under Extended Producer Responsibility ("EPR") schemes, entered into force on July 2, 2019. To date, some EU member states have transposed the Directive into national legislation while others are still going through the transposition process. Although we cannot predict the impact of this initiative on our business at this time, we are closely monitoring developments in this area. The planned Global Treaty against Plastic Pollution under the UN Environment Program is expected to further accelerate the adoption of regulatory frameworks for the use of plastic in products. Such regulations may introduce additional cost for producers as part of Extended producer Responsibility schemes but could also result in the phase-out or ban of specific plastics considered as particularly problematic for the environment. The plastic packaging materials used for tobacco products as well tobacco products filters could be subject to such regulations.

				If not addressed meaningfully, the littering and subsequent environmental pollution of single-use-plastics could lead to reputational risk for the company.
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## W10.4

**(W10.4) Do you have plastics-related targets, and if so what type?**

	Targets in place	Please explain
Row 1	No – but we plan to within the next two years	We are currently exploring the development of plastic-related targets.

## W10.5

**(W10.5) Indicate whether your organization engages in the following activities.**

	Activity applies	Comment
Production of plastic polymers	No	
Production of durable plastic components	No	
Production / commercialization of durable plastic goods (including mixed materials)	Yes	
Production / commercialization of plastic packaging	No	
Production of goods packaged in plastics	Yes	
Provision / commercialization of services or goods that use plastic packaging (e.g., retail and food services)	Yes	

## W10.7

**(W10.7) Provide the total weight of plastic durable goods/components sold and indicate the raw material content.**

**Row 1**

**Total weight of plastic durable goods/components sold during the reporting year (Metric tonnes)**

1,765.73

**Raw material content percentages available to report**

% virgin fossil-based content

% virgin renewable content

% post-industrial recycled content

% post-consumer recycled content

**% virgin fossil-based content**

100

**% virgin renewable content**

0

**% post-industrial recycled content**

0

**% post-consumer recycled content**

0

**Please explain**

To reduce the depletion of finite resources, we are integrating sustainability into the early stages of product design to improve recyclability, resource efficiency, and reparability. These measures will help increase opportunities to refresh and repair used devices. By extension, we will continue to look for opportunities to use recycled materials in our products.

In the context of our CIRCLE program, in addition to establishing best-in-class recycling standards, we are expanding our capabilities to: (1) collect and triage devices, perform diagnostics that allow us to establish the state of the device and accordingly send it to be recycled, refreshed, or repaired; (2) refresh and repair devices in a manner that meets quality and hygiene requirements; and (3) remarket refurbished products, giving them a second life.

As we progress with device recycling, we are exploring possibilities to close the loop by reusing materials to produce new accessories for our products.

**W10.8**

**(W10.8) Provide the total weight of plastic packaging sold and/or used, and indicate the raw material content.**

	Total weight of plastic packaging sold / used during the reporting year (Metric tonnes)	Raw material content percentages available to report	% virgin fossil-based content	% virgin renewable content	% post-industrial recycled content	% post-consumer recycled content	Please explain
Plastic packaging used	27,322	% virgin fossil-based content % virgin renewable content	100	0	0	0	In 2022, paper and board remained the primary material used in our packaging,

		% post-industrial recycled content % post-consumer recycled content					<p>representing around 92 percent of our total packaging portfolio. We continue to work towards integrating materials coming from renewable sources, by removing unnecessary plastic and replacing aluminium inner liners with paper versions where possible, while maintaining a high share of our packaging being made of paper and board.</p> <p>Currently, the plastic wrap around our packs of consumables and secondary cardboard packaging is recyclable but is not made from renewable sources. In 2022, as part of our plastic reduction program, we reduced and optimized our current film</p>
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							solutions on our heated tobacco packaging portfolio, removing 385 tons of plastic film. We have similarly continued removing unnecessary packaging and improving recyclability for our electronics device and accessories packaging .
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## W10.8a

(W10.8a) Indicate the circularity potential of the plastic packaging you sold and/or used.

	Percentages available to report for circularity potential	% of plastic packaging that is reusable	% of plastic packaging that is technically recyclable	% of plastic packaging that is recyclable in practice at scale	Please explain
Plastic packaging used	% reusable % technically recyclable % recyclable in practice and at scale	0	83	4	

## W11. Sign off

### W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

## W11.1

**(W11.1) Provide details for the person that has signed off (approved) your CDP water response.**

	Job title	Corresponding job category
Row 1	Chief Executive Officer (CEO)	Chief Executive Officer (CEO)

## Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

**Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.**

No

**Please confirm below**

I have read and accept the applicable Terms